



-
- San Bernardino County Transportation Commission •San Bernardino County Transportation Authority
•San Bernardino County Congestion Management Agency •Service Authority for Freeway Emergencies
-

AGENDA

Administrative Committee Meeting

November 8, 2006

9:00 a.m.

Location

SANBAG

Super Chief Conference Room

1170 W. 3rd Street, 2nd Floor

San Bernardino, CA

Administrative Committee Membership

Chair – SANBAG Vice President

Council Member Jim Lindley
City of Hesperia

SANBAG President

Supervisor Dennis Hansberger
County of San Bernardino

SANBAG Past President

Supervisor Paul Biane
County of San Bernardino

Mt./Desert Representatives

Mayor Pro Tem Rick Roelle
Town of Apple Valley

Council Member Darrell Mulvihill
City of Big Bear Lake

Supervisor Bill Postmus
County of San Bernardino

East Valley Representatives

Mayor Pro Tem Bea Cortes
City of Grand Terrace

Mayor Bob Christman
City of Loma Linda

Supervisor Josie Gonzales
County of San Bernardino

West Valley Representatives

Mayor Pro Tem Gwenn Norton-Perry
City of Chino Hills

Mayor Paul Eaton
City of Montclair

Supervisor Gary Ovitt
County of San Bernardino

San Bernardino Associated Governments (SANBAG) is a council of governments formed in 1973 by joint powers agreement of the cities and the County of San Bernardino. SANBAG is governed by a Board of Directors consisting of a mayor or designated council member from each of the twenty-four cities in San Bernardino County and the five members of the San Bernardino County Board of Supervisors.

In addition to SANBAG, the composition of the SANBAG Board of Directors also serves as the governing board for several separate legal entities listed below:

***The San Bernardino County Transportation Commission,** which is responsible for short and long range transportation planning within San Bernardino County, including coordination and approval of all public mass transit service, approval of all capital development projects for public transit and highway projects, and determination of staging and scheduling of construction relative to all transportation improvement projects in the Transportation Improvement Program.*

***The San Bernardino County Transportation Authority,** which is responsible for administration of the voter-approved half-cent transportation transactions and use tax levied in the County of San Bernardino.*

***The Service Authority for Freeway Emergencies,** which is responsible for the administration and operation of a motorist aid system of call boxes on State freeways and highways within San Bernardino County.*

***The Congestion Management Agency,** which analyzes the performance level of the regional transportation system in a manner which ensures consideration of the impacts from new development and promotes air quality through implementation of strategies in the adopted air quality plans.*

***As a Subregional Planning Agency,** SANBAG represents the San Bernardino County subregion and assists the Southern California Association of Governments in carrying out its functions as the metropolitan planning organization. SANBAG performs studies and develops consensus relative to regional growth forecasts, regional transportation plans, and mobile source components of the air quality plans.*

Items which appear on the monthly Board of Directors agenda are subjects of one or more of the listed legal authorities. For ease of understanding and timeliness, the agenda items for all of these entities are consolidated on one agenda. Documents contained in the agenda package are clearly marked with the appropriate legal entity.

**San Bernardino Associated Governments
County Transportation Commission
County Transportation Authority
Service Authority for Freeway Emergencies
County Congestion Management Agency**

AGENDA

Administrative Committee Meeting

November 8, 2006

9:00 a.m.

Location: SANBAG, Super Chief Conference Room, 1170 W. 3rd Street, 2nd Floor,
San Bernardino

CALL TO ORDER 9:00 a.m.

(Meeting Chaired by Council Member Jim Lindley)

- I. Attendance
- II. Announcements
- III. Agenda Notices/Modifications – Anna Aldana

Notes/Actions

1. **Possible Conflict of Interest Issues for the Administrative Committee Meeting November 8, 2006.** Pg. 4

Note agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interest and financial interests. Board Member abstentions shall be stated under this item for recordation on the appropriate item.

Consent Calendar

Consent Calendar items shall be adopted by a single vote unless removed by member request.

Administrative Matters

2. **Attendance Register** Pg. 5

A quorum shall consist of a majority of the membership of each SANBAG Policy Committee, except that all County Representatives shall be counted as one for the purpose of establishing a quorum.

3. **Procurement Report for October 2006** Pg. 7

Receive Monthly Procurement Report. Terrence J. McGuire

CLOSED SESSION

Government Code Section 54957.6,

Conference with Labor Negotiator Tony Grasso regarding
unrepresented employees

Discussion Items**Administrative Matters**

4. **Proposed New Local Streets Financing Program** Pg. 9
Receive report on status of investigation into implementation of the program. **Terrence J. McGuire**
5. **Quarterly Investment Report, Ending September 30, 2006** Pg. 13
Receive Quarterly Investment Report, Ending September 30, 2006. **Terrence J. McGuire**
6. **Renewal Measure I Debt Capacity Analysis** Pg. 29
Receive Renewal Measure I Debt Capacity Analysis. **Terrence J. McGuire**

Subregional Trans. Planning & Programming

7. **Measure I 2010-2040 Strategic Plan Policy Issues** Pg. 39
Review and discuss white paper issues for furtherance of the Strategic Plan. **Ty Schuiling**

Comments from Committee Members**Public Comment****ADJOURNMENT****Additional Information**

Acronym List Pg. 62

Complete packages of the SANBAG agenda are available for public review at the SANBAG offices. Staff reports for items may be made available upon request. For additional information call (909) 884-8276.

Meeting Procedures and Rules of Conduct

Meeting Procedures

The Ralph M. Brown Act is the state law which guarantees the public's right to attend and participate in meetings of local legislative bodies. These rules have been adopted by the Board of Directors in accordance with the Brown Act, Government Code 54950 et seq., and shall apply at all meetings of the Board of Directors and Policy Committees.

Accessibility

The SANBAG meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or services are needed in order to participate in the public meeting, requests should be made through the Clerk of the Board at least three (3) business days prior to the Board meeting. The Clerk's telephone number is (909) 884-8276 and office is located at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Agendas – All agendas are posted at 1170 W. 3rd Street, 2nd Floor, San Bernardino at least 72 hours in advance of the meeting. Staff reports related to agenda items may be reviewed at the SANBAG offices located at 1170 W. 3rd Street, 2nd Floor, San Bernardino and our website: www.sanbag.ca.gov.

Agenda Actions – Items listed on both the "Consent Calendar" and "Items for Discussion" contain suggested actions. The Board of Directors will generally consider items in the order listed on the agenda. However, items may be considered in any order. New agenda items can be added and action taken by two-thirds vote of the Board of Directors.

Closed Session Agenda Items – Consideration of closed session items *excludes* members of the public. These items include issues related to personnel, pending litigation, labor negotiations and real estate negotiations. Prior to each closed session, the Chair will announce the subject matter of the closed session. If action is taken in closed session, the Chair may report the action to the public at the conclusion of the closed session.

Public Testimony on an Item – Members of the public are afforded an opportunity to speak on any listed item. Individuals wishing to address the Board of Directors or Policy Committee Members should complete a "Request to Speak" form, provided at the rear of the meeting room, and present it to the Clerk prior to the Board's consideration of the item. A "Request to Speak" form must be completed for *each* item an individual wishes to speak on. When recognized by the Chair, speakers should be prepared to step forward and announce their name and address for the record. In the interest of facilitating the business of the Board, speakers are limited to three (3) minutes on each item. Additionally, a twelve (12) minute limitation is established for the total amount of time any one individual may address the Board at any one meeting. The Chair or a majority of the Board may establish a different time limit as appropriate, and parties to agenda items shall not be subject to the time limitations.

The Consent Calendar is considered a single item, thus the three (3) minute rule applies. Consent Calendar items can be pulled at Board member request and will be brought up individually at the specified time in the agenda allowing further public comment on those items.

Agenda Times – The Board is concerned that discussion take place in a timely and efficient manner. Agendas may be prepared with estimated times for categorical areas and certain topics to be discussed. These times may vary according to the length of presentation and amount of resulting discussion on agenda items.

Public Comment – At the end of the agenda, an opportunity is also provided for members of the public to speak on any subject within the Board's authority. *Matters raised under "Public Comment" may not be acted upon at that meeting. "Public Testimony on any Item" still apply.*

Disruptive Conduct – If any meeting of the Board is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, the Chair may recess the meeting or order the person, group or groups of person willfully disrupting the meeting to leave the meeting or to be removed from the meeting. Disruptive conduct includes addressing the Board without first being recognized, not addressing the subject before the Board, repetitiously addressing the same subject, failing to relinquish the podium when requested to do so, or otherwise preventing the Board from conducting its meeting in an orderly manner. *Please be aware that a NO SMOKING policy has been established for meetings. Your cooperation is appreciated!*

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 1

Date: November 8, 2006

Subject: Information Relative to Possible Conflict of Interest

Recommendation*: Note agenda items and contractors/subcontractors which may require member abstentions due to possible conflicts of interest.

Background: In accordance with California Government Code 84308, members of the Board of Directors may not participate in any action concerning a contract where they have received a campaign contribution of more than \$250 in the prior twelve months from an entity or individual. This agenda contains recommendations for action relative to the following contractors:

Item No.	Contract No.	Contractor/Agents	Subcontractors
		None	None

Financial Impact: This item has no direct impact on the 2006/2007 Budget.

Reviewed By: This item is prepared monthly for review by the Board of Directors and policy committee members.

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

ADMINISTRATIVE COMMITTEE ATTENDANCE ROSTER - 2006

Name	Jan	Feb	March	April	May	June	July*	Aug	Sept	Oct	Nov	Dec
Paul Biane		X		X	X			X		X		
Kelly Chastain	X	X	X	X	X							
Robert Christman	X	X	X	X	X	X		X		X		
Bea Cortes	X	X	X	X		X		X	X	X		
Paul Eaton	X	X			X			X	X	X		
Josie Gonzales	X					X		X	X			
James Lindley	X			X	X	X		X	X	X		
Dennis Hansberger	X	X	X	X		X			X	X		
Darrell Mulvihill								X				
Gary Ovitt	X	X							X	X		
Gwenn Norton-Perry		X		X		X		X		X		
Bill Postmus								X	X			
Rick Roelle	X	X	X	X	X			X				

The crossed-out boxes indicate members who were not on the committee as of that month.

The empty boxes indicate member who did not attend the meeting that month.

*The Administrative Committee did not meet in July.

ADMINISTRATIVE COMMITTEE ATTENDANCE ROSTER - 2005

Name	Jan	Feb*	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Paul Biane	X			X	X	X	X	X	X	X	X	X
Kelly Chastain	X		X		X	X	X	X	X	X	X	X
Robert Christman			X	X	X	X		X	X	X	X	
Bea Cortes			X	X	X	X	X	X	X	X		X
Paul Eaton	X		X	X		X			X	X	X	X
Josie Gonzales	X			X	X	X	X				X	X
James Lindley	X					X		X	X	X	X	X
Dennis Hansberger			X	X	X	X	X		X	X	X	X
Gary Ovitt	X			X	X			X	X	X	X	X
Gwenn Norton-Perry	X			X		X	X	X			X	
Bill Postmus				X	X	X	X	X			X	X
Rick Roelle			X		X	X	X	X			X	

The crossed-out boxes indicate members who were not on the committee as of that month.

The empty boxes indicate member who did not attend the meeting that month.

*The Administrative Committee did not meet in February.

-
- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies
-

Minute Action

AGENDA ITEM: 3

Date: November 8, 2006

Subject: Procurement Report for October 2006

Recommendation:* Receive Monthly Procurement Report.

Background: The Board of Directors approved the Contracting and Procurement Policy (Policy No. 11000) on January 3, 1997. The Executive Director, or his designee, is authorized to approve Purchase Orders up to an amount of \$25,000. All procurements for supplies and services approved by the Executive Director, or his designee, in excess of \$5,000 shall be routinely reported to the Administrative Committee and to the Board of Directors.

Attached are the purchase orders in excess of \$5,000 to be reported to the Administrative Committee for the month of October 2006.

Financial Impact: This item imposes no impact on the FY 2006/07 Budget. Presentation of the monthly procurement report will demonstrate compliance with the Contracting and Procurement Policy (Policy No. 11000).

Reviewed By: This item is scheduled for review by the Administrative Committee on November 8, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

ADM0611a-tjm.doc
ISF07

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

PURCHASE ORDERS ISSUED FOR OCTOBER 2006

P.O. #	Vendor	Purpose	Sole Source Y/N	Amount
07119	tWrite, Inc.	I-215 General Brochure Design	Y	\$ 5,000.00
		TOTAL PURCHASE ORDERS ISSUED		\$ 5,000.00

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 4

Date: November 8, 2006

Subject: Proposed New Local Streets Financing Program

Recommendation:* Receive report on status of investigation into implementation of the program.

Background: Staff was directed to investigate the concept of a new Local Streets Financing Program after the concept was presented at the September 20, 2006 Administrative Committee meeting and the October 4, 2006 Board meeting.

The attached letter from the California Infrastructure and Economic Development Bank (the "CIEDB") indicates that the Authority could be an eligible borrower under the statute and the Infrastructure State Revolving Fund (ISRF) Program Criteria, Priorities and Guidelines. However, the Authority would be limited to borrowing a maximum of \$2 million per fiscal year under the program because the Authority has the ability to access capital markets on its own credit. Therefore, due to the restrictions of the criteria of the ISRF Program, the CIEDB would prefer that SANBAG issue its own obligations to fund projects of local jurisdictions.

Financial Impact: SANBAG could develop a program to address funding needs of local member jurisdictions, but it may not be cost effective unless there are multiple participants in the borrowing program. This Program requires careful policy consideration since the purpose is to develop a financing program that benefits local Measure I

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

ADM0611b-tjm.doc
94207000
Attachment:
ADM0611b1-tjm.tif

participants while not impacting the overall financing program for larger capital projects. It also raises issues related to debt funding of Local Streets projects verses "pay-as-you-go" funding. Further investigation of the Program will require additional consultant time from the Agency's Financial Advisor and Bond Counsel, as well as Agency Counsel. While there is no immediate impact to the FY 2006/2007 Budget, work on this program and possibly other financing requirements could require budget and contract amendments before the end of the fiscal year.

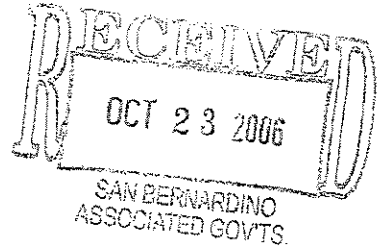
Reviewed By: This item is scheduled for review by the Administrative Committee on November 8, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer



California Infrastructure and Economic Development Bank

October 20, 2006



Arnold Schwarzenegger
Governor

Terry McGuire
Chief Financial Officer
San Bernardino Transportation Authority
1170 W. 3rd Street, 2nd Floor
San Bernardino, CA 92410-1715

Board Members:

Sunne Wright McPeak
Chair
Secretary, Business,
Transportation and Housing
Agency

Philip Angelides
State Treasurer

Michael C. Genest
Director
Department of Finance

Rosario Marin
Secretary, State and
Consumer Services Agency

D. Everett Rice
Governor's Appointee

Executive Director:

Stanton C. Hazelroth

Mailing Address:
P.O. Box 2830
Sacramento, CA 95812-
2830

Office Address:
1001 I Street, 19th Floor
Sacramento, CA 95814

(916) 322-1399
(916) 322-6314 FAX
www.ibank.ca.gov

Re: Eligibility Under the I-Bank's Infrastructure State Revolving Fund Program

Dear Terry:

Thank you for your call yesterday related to possible ISRF Program loan application(s) from the San Bernardino County Transportation Authority ("Authority") related to city street projects within local agency boundaries such as the City of Colton. As requested, this letter confirms our oral conclusions regarding the Authority's eligibility under the ISRF Program and potential limitations specific to your request.

Borrower Eligibility

As set forth in statute and clarified by the ISRF Program Criteria, Priorities and Guidelines ("Criteria"), "sponsors" are authorized to apply for ISRF Program loans. A "sponsor" is defined as:

Any subdivision of a local or state government, including departments, agencies, commissions, cities, counties, non-profit corporations formed on behalf of an applicant, special districts, assessment districts, and joint powers authorities within the state or any combination of these subdivisions that makes application to the I-Bank for financial assistance in connection with a project in a manner prescribed by the I-Bank.

We further noted that a sponsor need not be the owner of the project being funded by the I-Bank. We, therefore, believe that the Authority could be an eligible borrower under the terms of the ISRF Program for purposes of requesting financing for an Authority project or as a sponsor for a project for one or more local agencies.

ATTACHMENT

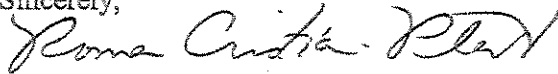
Need for Financing Criteria

We also discussed that one of the ISRF Program eligibility criteria pertains to the applicant's need for financing. The Criteria states that applicants with a proposed repayment source that is rated Baa2/BBBor higher are presumed to have access to capital and therefore do not meet the I-Bank's need for financing eligibility threshold criteria. Such applicants are limited to loans of up to \$2,000,000.

Since the Authority has Measure I backed outstanding debt currently rated AA by Fitch, staff would not be in a position to justify to the Board that the Authority does not have the ability to obtain financing from the capital markets on reasonable rates and terms in amounts greater than \$2 million.

Please let me know if the above does not accurately represent the conclusions stated in yesterday's call or if you would like further information. I appreciate your time and effort inquiring about the ISRF Program on behalf of the Authority and the jurisdictions within the county that need funding for local street projects.

Sincerely,



Roma Cristia-Plant
Assistant Executive Director

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 5

Date: November 8, 2006

Subject: Quarterly Investment Report, Ending September 30, 2006

Recommendation:* Receive Quarterly Investment Report, Ending September 30, 2006

Background: Over the past 6 months the SANBAG Investment Policy has been amended significantly to permit additional permitted investments, increase diversification, extend maturities and include the investments of Local Transit Funds and State Transit Assistance Funds in the portfolio composition. Monthly investment reports have been revised to present more relevant information.

Attached is the first Quarterly Investment Report which was distributed to all Board Members with the Board information packets for the November 1, 2006 Board of Directors Meeting. The Quarterly Investment Report presents more detailed information as well as relative performance of the separately managed portfolio compared to various benchmarks.

Financial Impact: This item has no impact on the FY 2006/2007 Budget.

Reviewed By: This item is scheduled for review by the Administrative Committee on November 8, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

*

Approved
San Bernardino Associated Governments
Administrative Committee

Date: _____

Moved:

Second:

In Favor:

Opposed:

Abstained:

Witnessed: _____

-
- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
 - San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies
-

Memo

DATE: October 23, 2006

TO: Board of Directors

FROM: Terrence J. McGuire
Chief Financial Officer

SUBJECT: Quarterly Investment Report for Period Ending September 30, 2006

The attached Quarterly Investment Report provides summary level information about SANBAG's portfolio comprising operating reserves and rail assets as of September 30, 2006. The report presents SANBAG's investments in a format that illustrates how these funds are invested. The report includes information about the portfolio composition, credit quality, and maturity structure. The detailed data on the securities in the investment portfolio is available from Jenny Betancourt in Finance. Please direct questions related to this report or the investment program to me at (909) 884-8276, ext. 124.

The portfolio was in compliance with SANBAG's investment policy and the California Government Code as of August 31, 2006. The portfolio is structured so that sufficient funds are available to meet SANBAG's operating requirements and SANBAG's construction and debt service payments for the next six months.

cc: Tony Grasso

San Bernardino Associated Governments

Investment Performance Review
Third Quarter Ended September 30, 2006



PFM Asset Management LLC
50 California Street, Suite 2300
San Francisco, CA 94110
(415)982-5544
fax (415)982-4513
jonesn@pfm.com

San Bernardino Associated Governments

Investment Report – Quarter Ended September 30, 2006

MARKET REVIEW

The health of the housing market has become a major focus of market economists recently, with the question not whether the housing boom has ended, but how fast and how far the sector will contract.

Larger than expected drops in housing starts, building permits, and existing home sales, all reported in September, combined with other signs of a slowdown and a worldwide glut of savings, have continued to push interest rates down. Treasury rates fell across the curve for a third month, ending 10-17 basis points (0.10%-0.17%) below their levels at the end of August. As seen in the table below, the entire yield curve remains well below the 5.25% Fed Funds rate.

	8/31/06	9/29/06	Change
3 Month	5.040%	4.872%	-0.168%
6 Month	5.104%	4.990%	-0.109%
9 Month	4.784%	4.683%	-0.101%
3 Year	4.708%	4.609%	-0.099%
5 Year	4.696%	4.591%	-0.105%
10 Year	4.734%	4.631%	-0.102%
30 Year	4.892%	4.763%	-0.129%

Source: Bloomberg

The continued inversion of the yield curve has many wondering when, and if, the Fed will begin to cut the overnight rate, with the futures markets now foreseeing Federal Funds in the 4.75% range by the second quarter of 2007.

Energy prices have eased in recent weeks, reinforcing the view that reduced inflationary forces could encourage such a move, but in recent speeches, Federal Reserve governors have sought to discourage such speculation, noting that core inflation remains above the long-term Federal Reserve target range of 1-2%.

THE ECONOMY

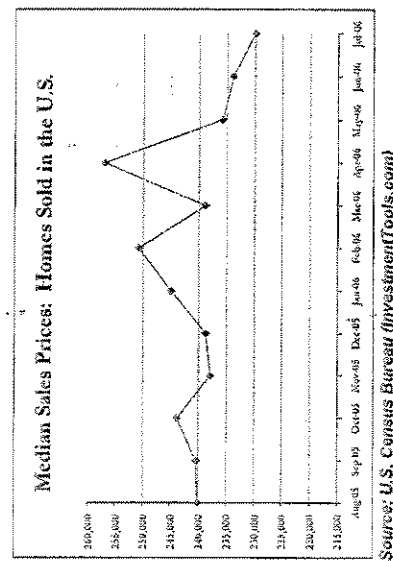
The pace of economic activity has clearly moderated. A broad set of indicators, including declines in auto sales, durable goods orders, and a build-up of business inventories were evident in the releases during September.

Durable goods orders were expected to increase by 0.5% in August, but instead decreased by 0.5% and the July number was revised downward to a decrease of 2.7%.

Retail sales and personal spending for the month of August came in lower than expected and the July retail sales number was also revised downward. Typically, personal spending increases during the month of August due to back-to-school shopping, but when adjusted for inflation, personal spending actually slipped.

Market analysts note that just as the housing boom propelled solid growth over the overall economy in the period 2003-2005, the housing slump could foretell a general decline. Not only does the housing sector produce many construction-related jobs, but home buying and selling prompts people to spend additional money on new furnishings, and moving costs. Moreover, house price appreciation, coupled with refinancing opportunities during this recent housing boom, contributed to the increase in disposable income of U.S. consumers.

The value of homes across the United States has steadily decreased over the past few months, as evidenced in the chart below. As the value of homes decreases, the amount of equity homeowners are able to get from refinancing decreases as well. The decline of consumers' disposable income will have an effect on the overall spending. The extent to which other types of spending—including government, business, and debt-financed U.S. consumer spending—can offset this economic growth moving forward.



PFM Asset Management LLC

Section A-1

New home sales for August were up, but remain down for the year, and the blip is more likely a result of inventory clearance than true strength. The National Association of Realtors said there is currently a 7.5 month supply of homes, the highest in almost 13 years.

Many homeowners are experiencing increased difficulty making their mortgage payments, especially those with adjustable rate mortgages (ARM). In a report released earlier this month by the Mortgage Bankers Association, the amount of delinquent ARM borrowers is up 23% from last year. Furthermore, the amount of foreclosures for August was up 24% from July, and up 53% from last year. The adjustable rate loans that were fixed for the first five years are now resetting and many borrowers are now paying almost 2 percentage points higher than before. Currently, the average fixed-rate mortgage is around 6.4%. According to the U.S. Census Bureau, approximately 35% of homeowners are spending 30% or more of their gross income on housing costs.

Federal Reserve Chairman Ben Bernanke stated recently the decline in the housing market may drop economic growth by a percentage point, and also restrain expansion in 2007. However he also reiterated concerns about inflation, stating they do expect it to come down over time, but it should be watched closely to make sure it doesn't increase or remain at its current level. The core personal consumption expenditure price index for August showed a 2.5% increase for the year.

Consumer confidence is up for the month of September on the back of lower commodity prices. The cost of crude oil dropped below \$60 per barrel during the first days of October and gasoline prices continue to fall as well. Many believe this drop in gasoline prices will spur spending because the average consumer constantly watches the prices at the pump. The current outlook for consumer spending in the fourth quarter appears optimistic, and corporate profits remain strong.

OUTLOOK

Many investors believe the current economic outlook is "just right," i.e., that a balance between sustainable economic growth and contained inflation has been reached. The impact of a weakening housing market on the broader economy in the months ahead will play a significant role in determining the validity of this viewpoint.

San Bernardino Associated Governments Investment Report - Quarter Ended September 30, 2006

Portfolio Summary

<u>Total Portfolio Value</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
Market Value	\$239,580,440.31	\$145,644,142.71
Amortized Cost	\$239,813,903.99	\$146,188,598.81

PORTFOLIO RECAP

- The portfolio complies with the California Government Code and SANBAG's Investment Policy.
- The portfolio comprises U.S. Treasuries, Federal Agencies, and high-quality commercial paper. Funds requiring daily liquidity are invested in money market funds, LAIF and the San Bernardino County Investment Pool.
- The securities in the portfolio are of very high quality. 100% of the securities are either U.S. Treasuries or rated in the highest rating category by Standard & Poor's.
- The interest rate environment began to change during the third quarter. Interest rates, which had trended upward since the middle of 2003, appeared to be reaching the end of this interest rate cycle. The Federal Reserve, citing moderating inflation pressures and slowing economic growth, left interest rates unchanged at both their August 8th and September 20th meetings, after 17 consecutive hikes dating back to June 2004. The Federal Reserve's decision had an immediate impact on intermediate-term interest rates; the 2-year U.S. Treasury note, which hit a 5½-year high at 5.27% on June 28, ended the third quarter approximately 50 basis points (0.50%) lower.
- During the third quarter, we worked closely with SANBAG to develop and implement an investment strategy that was consistent with SANBAG's conservative investment posture and the current interest rate environment. In response to the shifting market conditions and strong signs that this economic cycle is coming to an end, we began to modestly lengthen the duration of the portfolio. This strategy helped to lock in attractive yields and positioned the portfolio to benefit from market value appreciation if rates fall.
- To obtain the desired portfolio structure, we selectively added securities in the 2-year maturity range during September. Securities were purchased with yields above 5%, which represented good value in the current market.
- We purchased commercial paper predominately and Federal Agency securities during the quarter. The spread between Federal Agencies and U.S. Treasuries remained modestly attractive with a slight bias towards narrowing, which helped their performance relative to Treasuries during the quarter.
- PFM continues to manage the portfolio to meet SANBAG's long-term investment objectives of preserving principal, providing necessary liquidity and generating attractive long-term returns.

Portfolio Summary - continued

PORTFOLIO STRATEGY

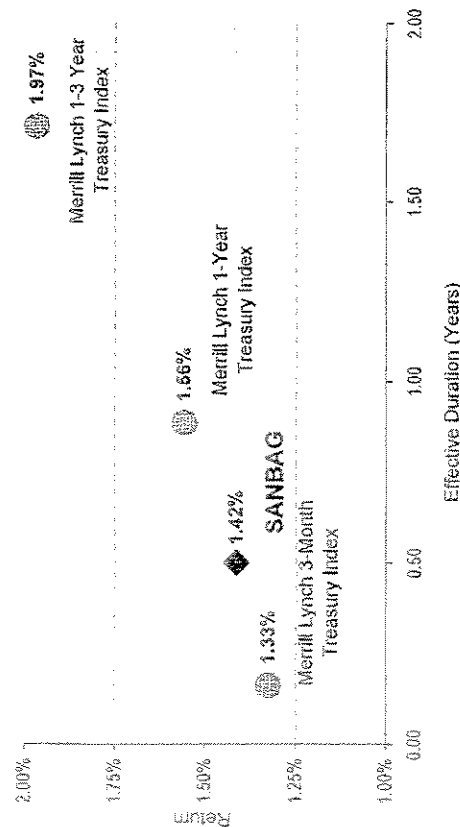
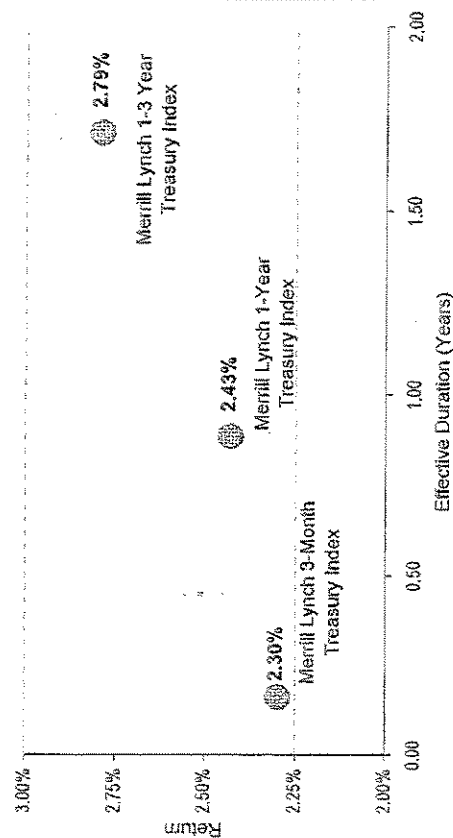
- We will continue to communicate with SANBAG's staff regarding the status of the investment program.
- Economic growth is expected to moderate during the later half of 2006. Slower growth in the economy, specifically in housing and manufacturing, along with stabilizing inflationary pressures, led market participants to anticipate Fed rate cuts in 2007. The inverted yield curve, along with lower Fed Funds futures rates, are further indications that the market expects lower interest rates in the future.
- With interest rates still near their 5-year highs of 5%, we will continue to implement the strategy that we agreed upon in early September and gradually add longer-term investments. As part of this strategy, we will look for opportunities, such as back-ups in yields, to make extension trades to capture attractive yields and modestly extend the portfolio's duration.
- Our strategy of modestly extending the portfolio's duration will help protect the portfolio's yield and will allow the portfolio to benefit from any market value appreciation from a fall in interest rates.
- We will evaluate all investments available to SANBAG, and monitor the spread (difference in yield) between the sectors. While maintaining an overall diversified portfolio, we will allocate funds to specific sectors and securities based on their relative value.
- We will continue to look for opportunities to increase the portfolio's total rate of return while maintaining good diversification and high credit quality.

San Bernardino Associated Governments

Investment Report - Quarter Ended September 30, 2006

Portfolio Performance

Total Return ^{1,2,3,4}	Quarter Ended September 30, 2006	Past 6 Months	Past 1 Year	Past 3 Years	Past 5 Years
SANBAG	1.42%	N/A	N/A	N/A	N/A
Merrill Lynch 3-Month Treasury Index	1.33%	2.50%	4.50%	2.73%	2.30%
Merrill Lynch 1-Year Treasury Index	1.56%	2.40%	4.04%	2.20%	2.43%
Merrill Lynch 1-3 Year Treasury Index	1.97%	2.63%	3.74%	1.91%	2.79%
Effective Duration¹	September 30, 2006	June 30, 2006	Yields¹	September 30, 2006	June 30, 2006
SANBAG	0.50	0.42	Yield at Market	5.04%	4.93%
Merrill Lynch 3-Month Treasury Index	0.16	0.16	Yield at Cost	4.68%	4.36%
Merrill Lynch 1-Year Treasury Index	0.89	0.89			
Merrill Lynch 1-3 Year Treasury Index	1.71	1.68			

Quarter Total Return Comparison
(Quarter Ended 09/30/06)5-Year Total Return Comparison
(Quarter Ended 09/30/06)

Notes:

1. Performance on trade date basis, gross (i.e., before fees), in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
2. Merrill Lynch indices provided by Bloomberg Financial Markets.
3. Excludes LAF, San Bernardino County Pool and money market funds in performance and duration computation.
4. Prior to third quarter 2001, the 1-Year Treasury Index is represented by the 1-Year Treasury Bill Index. For the third quarter of 2001 and beyond, the benchmark is represented by the 1-Year Treasury Note Index.

PFM Asset Management LLC

Section B - 3

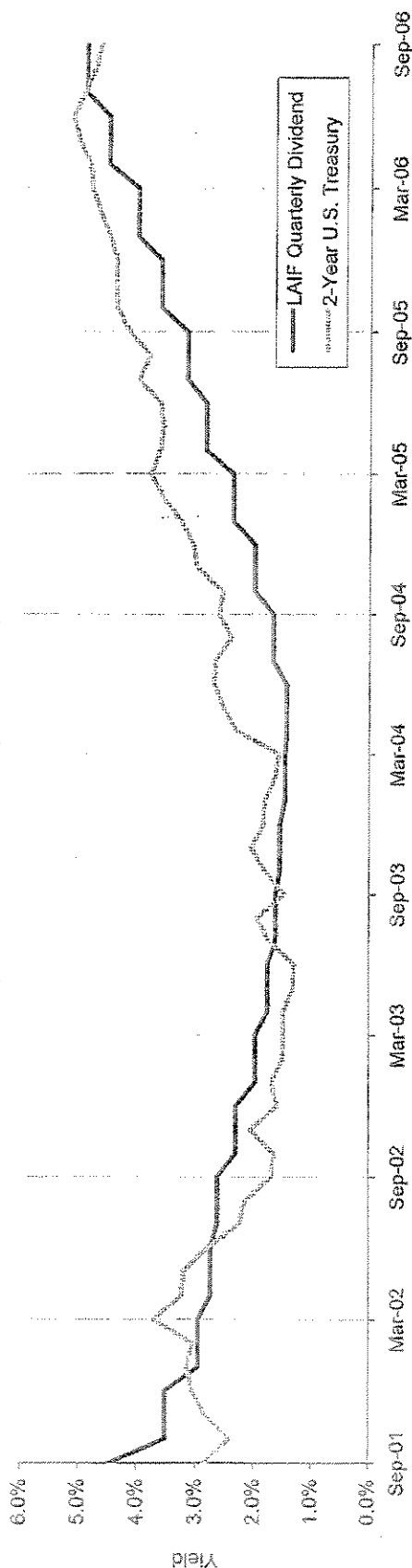
San Bernardino Associated Governments

Investment Report - Quarter Ended September 30, 2006

Portfolio Performance

Yields as of September 30	2001	2002	2003	2004	2005	2006
SANBAG Yield at Cost	N/A	N/A	N/A	N/A	N/A	4.68%
San Bernardino County Pool Yield at Cost	4.82%	3.28%	2.15%	2.13%	3.34%	4.63%
LAIF Quarterly Dividend	4.47%	2.63%	1.63%	1.67%	3.18%	4.93%
3-Month U.S. Treasury Yield	2.37%	1.56%	0.94%	1.70%	3.54%	4.87%
1-Year U.S. Treasury Yield	2.53%	1.45%	1.07%	2.19%	4.11%	4.94%
2-Year U.S. Treasury Yield	2.85%	1.69%	1.47%	2.61%	4.17%	4.68%
5-Year U.S. Treasury Yield	3.81%	2.57%	2.82%	3.37%	4.19%	4.58%

LAIF Dividend vs. 2-Year U.S. Treasury Yield¹
September 30, 2001 - September 30, 2006



Notes:

1. Source: LAIF yield information from LAIF website, U.S. Treasury Rates provided by Bloomberg.

PFM Asset Management LLC

Section B - 4

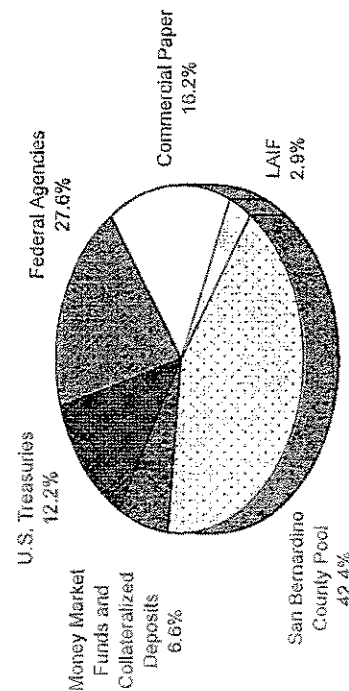
San Bernardino Associated Governments

Investment Report - Quarter Ended September 30, 2006

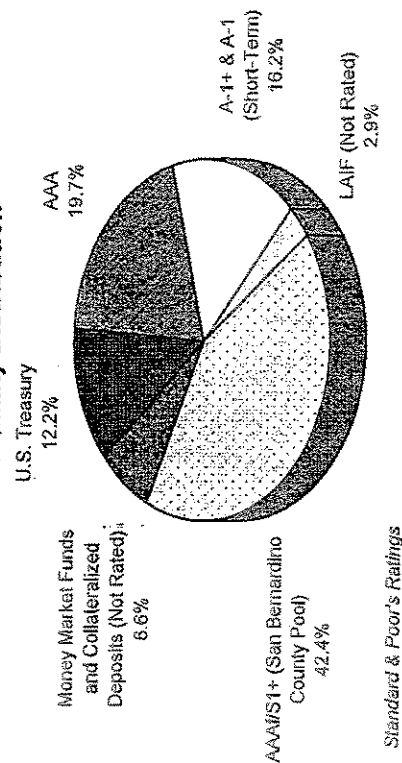
Portfolio Composition and Credit Quality Characteristics

Security Type ¹	September 30, 2006	% of Portfolio	June 30, 2006	% of Portfolio	Permitted by Policy
U.S. Treasuries	\$29,171,652.21	12.2%	\$62,093,630.85	42.6%	100%
Federal Agencies	\$47,127,707.49	19.7%	\$40,216,696.62	27.6%	100%
Commercial Paper	\$38,923,892.00	16.2%	\$15,429,787.99	10.6%	25%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%	20%
Bankers Acceptances	\$0.00	0.0%	\$0.00	0.0%	20%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%	100%
Medium-Term Corporate Notes	\$0.00	0.0%	\$0.00	0.0%	20%
LAIF	\$6,898,494.82	2.9%	\$6,639,472.52	4.6%	60%
San Bernardino County Pool	\$101,698,725.63	42.4%	\$10,768,641.96	7.4%	30%
Money Market Funds and Collateralized Deposits	\$15,759,968.16	6.6%	\$10,495,912.77	7.2%	20%
Totals	\$239,580,440.31	100.0%	\$145,644,142.71	100.0%	

Portfolio Composition



Credit Quality Distribution



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

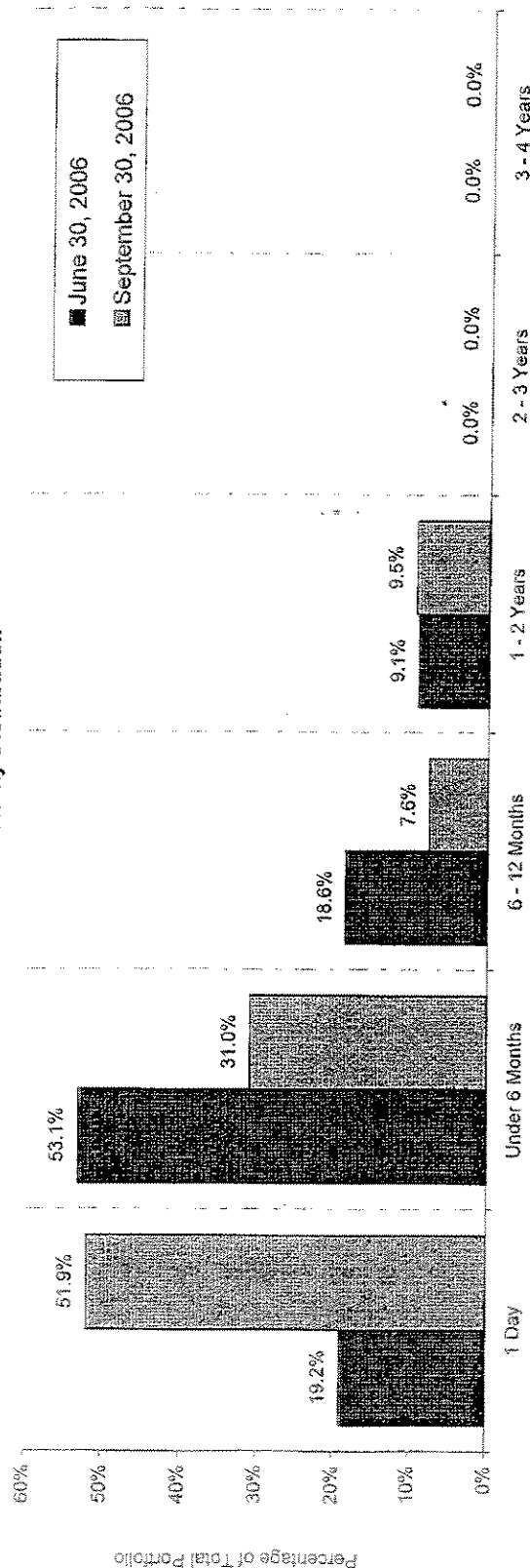
San Bernardino Associated Governments

Investment Report - Quarter Ended September 30, 2006

Portfolio Maturity Distribution

Maturity Distribution ¹		September 30, 2006	June 30, 2006
1 Day ²		\$124,357,188.61	\$27,904,027.25
Under 6 Months		\$74,236,467.29	\$77,312,532.43
6 - 12 Months		\$18,326,332.00	\$27,131,291.38
1 - 2 Years		\$22,660,452.41	\$13,296,291.65
2 - 3 Years		\$0.00	\$0.00
3 - 4 Years		\$0.00	\$0.00
Totals		\$239,580,440.31	\$145,644,142.71

Portfolio Maturity Distribution¹

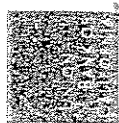


Notes:

1. Callable securities, if any, in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
2. Includes LAIF, San Bernardino County Pool and money market funds.

PFM Asset Management LLC

Section B - 6



Account Number
18113589

Account Name
SAN BERNARDINO ASSOC CVTS CU

Account Statement

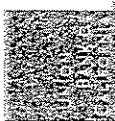
Statement Period

September 1, 2006 through September 30, 2006

Asset Detail - Principal Portfolio

Cash & Cash Equivalents

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Share/ Unit Price	Percentage of Portfolio	Current Yield	Estimated Annual Income
HighMark Money Market Funds								
HIGHMARK MONEY MARKET 100% U.S. TREASURY FD FIDUCIARY SH ***CASH MANAGEMENT SWEEP	431114503	89,174.980	89,174.98	89,124.98	1.0000	0.07%	4.46%	3,971.70
Commercial Paper - Discount								
URS FINANCE DELAWARE DISC COM1 PAPER DTD 08/26/2006 10/08/2006	90262DK61	3,365,000.000	3,319,237.87	3,363,048.30	99.9420	2.82%	5.46%	183,551.40
PACCAR FINANCIAL CORPORATION DISC COM1 PAPER DTD 07/12/2006 10/12/2006	69377BK63	2,260,000.000	2,230,834.70	2,256,700.40	99.8540	1.89%	5.42%	122,360.17
GENERAL ELEC CAP CORP DISC COM1 PAPER DTD 01/19/2006 10/18/2006	36959LJK67	5,000,000.000	4,977,438.89	4,989,800.00	99.7960	4.18%	5.32%	265,638.88
TOYOTA MOTOR CREDIT CORPORATION DISC COM1 PAPER DTD 01/19/2006 10/18/2006	80253HK68	4,150,000.000	4,131,274.28	4,141,534.00	99.7960	3.47%	5.32%	220,480.25
PACCAR FINANCIAL CORP DISC COM1 PAPER DTD 07/24/2006 10/24/2006	69372BK02	2,030,000.000	2,599,798.83	2,621,584.00	99.6800	2.70%	5.19%	136,091.69
URS FINANCE DELAWARE DISC COM1 PAPER DTD 07/24/2006 10/24/2006	90262DK07	1,430,000.000	1,421,650.39	1,425,424.00	99.6800	1.19%	5.35%	76,190.19
URS FINANCE DELAWARE LLC DISC COM1 PAPER DTD 07/26/2006 11/07/2006	90262DL78	1,915,000.000	1,898,243.75	1,904,905.40	99.4780	1.60%	5.35%	101,943.85



Account Number
18113569

Account Name
SAN BERNARDINO ASSOC CVTS CO

Account Statement

Statement Period

September 1, 2006 through September 30, 2006

Asset Detail - Principal Portfolio (continued)

Cash & Cash Equivalents

Asset Name

Commercial Paper - Discount

DEXIA DELAWARE LLC
DISC COM1 PAPER
DTD 09/10/2006 11/10/2006

GENERAL ELECTRIC CAPITAL CORP
DISC COM1 PAPER
DTD 02/23/2006 11/20/2006

CBA DEL FIN INC DISC COM1 PAPER
DTD 09/21/2006 11/21/2006

SOCIETE GENERALE NORTH AMERICA
DISC COM1 PAPER
DTD 07/13/2006 12/19/2006

Shares/
Units Held

Cost Basis

Market Value

Share/
Unit Price

Percentage
of Portfolio

Current
Yield

Estimated
Annual Income

3,940,000.000

3,893,735.38

3,917,620.80

99.4320

3.28%

5.32%

208,476.37

2,845,000.000

2,820,201.08

2,824,715.15

99.2870

2.37%

5.34%

150,860.10

3,000,000.000

2,980,550.00

2,978,160.00

99.2720

2.60%

5.31%

158,233.52

8,610,000.000

8,497,209.00

8,512,448.70

98.8670

7.13%

5.37%

467,430.17

Total Cash & Cash Equivalents

\$38,839,299.15

\$39,025,125.73

32.70%

5.34%

\$2,085,718.29

Government Obligations

Asset Name

US Treasury Bills

UNITED STATES TREAS BILLS
DTD 04/20/2006 10/19/2006

US Treasury

UNITED STATES TREAS NTS
DTD 09/10/2004 2.50% 09/30/2006

UNITED STATES TREAS NTS
DTD 01/31/2005 3.125% 01/31/2007

Shares/
Units Held

Cost Basis

Market Value

Share/
Unit Price

Percentage
of Portfolio

Current
Yield

Estimated
Annual Income

12,950,000.000

12,750,173.75

12,922,267.00

99.7860

10.83%

4.93%

636,798.26

4,000,000.000

3,991,093.75

4,000,000.00

100.0000

3.35%

2.50%

100,000.00

2,000,000.000

1,985,000.00

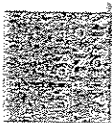
1,987,660.00

99.3830

1.67%

3.14%

62,580.00



Account Number
18113569

Account Name
SAN BERNARDINO ASSOC GVTS CU

Account Statement

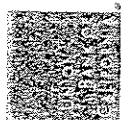
Statement Period

September 1, 2006 through September 30, 2006

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Share/ Unit Price	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS DTD 02/15/2004 2.250% 02/15/2007	912828BY5	1,500,000.000	1,469,121.09	1,404,655.00	98.9770	1.24%	2.27%	33,750.00
UNITED STATES TREAS NTS DTD 03/31/2005 3.7500% 03/31/2007	912828DQ0	2,250,000.000	2,250,703.13	2,235,847.50	99.3710	1.87%	3.77%	84,375.00
UNITED STATES TREAS NTS DTD 05/02/2005 3.625% 04/30/2007	912828DS6	3,000,000.000	2,995,078.13	2,976,330.00	99.2110	2.49%	3.65%	108,750.00
UNITED STATES TREASURY NT/BD DTD 09/15/2004 2.75% 08/15/2007	912828C19	2,500,000.000	2,437,402.34	2,453,125.00	98.1250	2.08%	2.80%	68,750.00
UNITED STATES TREAS NTS DTD 09/30/2005 4.00% 09/30/2007	912828E19	2,500,000.000	2,478,906.25	2,477,450.00	99.0390	2.08%	4.04%	100,000.00
UNITED STATES TREAS NTS DTD 01/01/2008 4.37500% 01/31/2008	912828E10	2,650,000.000	2,043,375.00	2,634,259.00	99.4060	2.21%	4.40%	115,337.50
Federal Govt Agency								
FEDERAL HOME LN MTG CORP DTD 10/15/2004 2.750% 10/15/2006	3134A4UV4	3,250,000.000	3,199,300.00	3,246,945.00	99.9060	2.72%	2.75%	89,375.00
FEDERAL HOME LN BKS BBS DTD 11/24/2004 3.125% 11/15/2006	3133X8R09	4,000,000.000	2,971,914.00	2,992,600.00	99.7560	2.51%	3.13%	93,750.00
FEDERAL NATL MTG ASSN DTD 10/24/2003 2.6250% 11/15/2006	31359MTN3	2,250,000.000	2,230,022.25	2,242,980.00	99.6880	1.88%	2.63%	59,062.50
FEDERAL NATL MTG ASSN DTD 12/24/2001 5.00% 01/15/2007 NOTE	31359ML74	3,000,000.000	3,088,392.00	2,997,180.00	99.9060	2.51%	5.00%	150,000.00



Account Number
18113569

Account Name
SAN BERNARDINO ASSOC GVTS CU

Account Statement

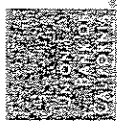
Statement Period

September 1, 2006 through September 30, 2006

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Share/ Unit Price	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDERAL HOME LN BKS BDS DTD 02/03/2005 3.375% 02/15/2007	3133XAN60	1,750,000.000	1,730,807.50	1,737,417.50	99.2810	1.46%	3.40%	59,062.50
FEDERAL HOME LN BKS DTD 02/06/2003 2.875% 02/15/2007 SERIES T307	3133MWT66	1,400,000.000	1,480,638.00	1,486,875.00	99.1250	1.25%	2.90%	43,125.00
FEDERAL NATL MTG ASSN BDS DTD 02/20/2004 2.375% 02/15/2007	31359MUT1	2,000,000.000	1,955,564.00	1,978,780.00	98.9380	1.66%	2.40%	47,500.00
FEDERAL HOME LOAN MTG CORP NOTES DTD 04/18/2004 2.87500% 05/15/2007	3134MUT3	5,550,000.000	5,438,926.80	5,470,246.50	98.5630	4.59%	2.92%	159,562.50
FEDERAL HOME LN BKS BONDS DTD 05/04/2005 3.87500% 05/08/2007	3133XBSU0	2,500,000.000	2,483,600.00	2,477,350.00	99.0940	2.08%	3.91%	96,875.00
FEDERAL HOME LN BKS BONDS DTD 06/06/2005 3.625% 06/20/2007	3133XB7K4	2,500,000.000	2,481,332.50	2,471,875.00	98.8750	2.07%	3.67%	90,625.00
FEDERAL NATL MTG ASSN DTD 10/22/2004 3.1250% 12/15/2007	31359MW02	2,750,000.000	2,670,525.00	2,686,125.00	97.7500	2.25%	3.20%	85,937.50
FEDERAL NATL MTG ASSN NOTES DTD 12/23/2005 4.625% 01/15/2008	31359MZT3	1,000,000.000	987,913.00	994,650.00	99.4680	0.83%	4.65%	46,250.00
FEDERAL HOME LN MTG CORP NOTES DTD 07/12/2006 5.50% 01/18/2008	3128XSEW4	1,185,000.000	1,188,495.32	1,191,434.55	100.5430	1.00%	5.47%	65,175.00



Account Number
10113509

Account Name
SAN BERNARDINO ASSOC GVTS CU

Account Statement

Statement Period

September 1, 2006 through September 30, 2006

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name

Federal Govt Agency

Shares/
Units Held

CUSIP

Cost Basis

Market Value

Share/
Unit Price

Percentage
of Portfolio

Current
Yield

Estimated
Annual Income

FEDERAL HOME LOAN MTG CORP
NOTES DTD 02/18/2005 3.62500%
02/15/2008

313444UY8

2,200,000.000

2,147,061.40

2,159,432.00

98.1560

1.81%

3.63%

79,750.00

FEDERAL HOME LOAN MTGE CORP
NTS DTD 05/20/2005 3.875%
06/15/2008

313444VA9

5,000,000.000

4,898,005.00

4,909,400.00

98.1860

4.11%

3.95%

193,750.00

FEDERAL FARM CR BKS BONDS
DTD 03/04/2006 5.34% 06/04/2008

31331VW28

5,000,000.000

5,021,650.00

5,028,150.00

100.5630

4.21%

5.31%

267,000.00

FEDERAL HOME LN BKS BONDS
DTD 03/13/2006 5.00% 06/12/2008

3133XEZP7

3,055,000.000

3,050,041.74

3,055,000.00

100.0000

2.56%

5.00%

152,750.00

Total Government Obligations

\$80,014,976.95

\$80,299,974.05

67.30%

3.85%

\$3,090,410.76

Total Principal Portfolio

\$118,854,276.10

\$119,325,099.78

100.00%

4.34%

\$5,175,629.05

Total Account Values

\$118,854,276.10

\$119,325,099.78

100.00%

4.34%

\$5,175,629.05

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 6

Date: November 8, 2006

Subject: Renewal Measure I Debt Capacity Analysis

Recommendation:* Receive Renewal Measure I Debt Capacity Analysis

Background: At the October 11, 2006 Administrative Committee meeting, one of the white papers that was included in the white papers addressing issues for the Strategic Plan was on the topic of new Measure I Debt Capacity. At that meeting staff indicated that a more detailed analysis of new Measure I Debt Capacity was being prepared for presentation and discussion at the November Administrative Committee meeting.

Attached is a memorandum prepared by the Authority's financial advisor, Montague DeRose and Associates, LLP. A summary of the information will be available for presentation at the Administrative Committee meeting.

Financial Impact: This item has no impact on the FY 2006/2007 Budget.

Reviewed By: This item is scheduled for review by the Administrative Committee on November 8, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

*

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

ADM0611d-tjm
Attachment: ADM0611d1-tjm

To: Terry McGuire, Chief Financial Officer
San Bernardino County Transportation Authority

From: Montague DeRose and Associates, LLC

Date: October 30, 2006

Subject: San Bernardino County Transportation Authority, Renewal Measure I Debt Capacity Analysis

The following is a review of the credit characteristics of the San Bernardino County Transportation Authority's original Measure I and a preliminary discussion and recommendations regarding the structuring of debt under the renewal of Measure I.

Original Measure I

Pledged Revenues - Collection of the original Measure I Sales Tax is administered by the California State Board of Equalization which imposes a charge for administration. The State Board of Equalization, after deducting the costs of administering the Sales Tax, remits the remaining Sales Tax Revenues directly to the Trustee. The Trustee then applies the balance of such Sales Tax Revenues to the Interest Fund, Principal Fund and Bond Reserve Fund for the Bonds in accordance with the Indenture, and transfers the remaining unapplied revenues to the Authority for use for any lawful purpose.

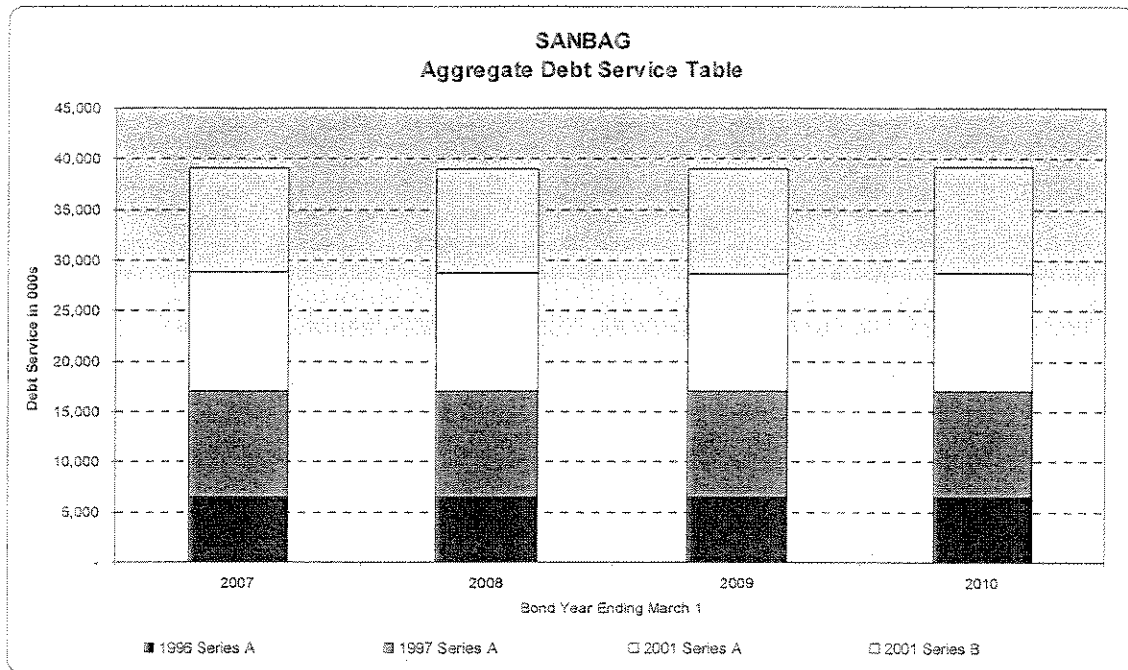
The Mountain-Desert Share is the portion of Sales Tax Revenues generated in the Mountain-Desert Area. The Mountain-Desert Area is defined in the Indenture and the 1989 Ordinance to include the following sub-areas within the County: the Victor Valley, the North Desert, the Colorado River, the Morongo Basin and the Mountains. The Authority accounts for Sales Tax Revenues separately for each sub-area, and allocates Sales Tax Revenues to each based on a formula which gives equal weight to population and the status of Sales Tax generation.

Each jurisdiction within the Mountain-Desert Area has the authority to pledge its share of Sales Tax Revenues to the payment of the Bonds. Any such pledge by a jurisdiction within the Mountain-Desert Area is irrevocable during the period that the Sales Tax is imposed. Mountain-Desert Area jurisdictions which have irrevocably pledged their Sales Tax Revenues to repayment of the Bonds were the Cities of Barstow and Big Bear Lake, the Town of Yucca Valley and the unincorporated area of the County.

For the fiscal year ended June 30, 2006, the pledged revenues for all pledging jurisdictions accounted for approximately 86.13 percent of the Sales Tax Revenues generated in the County.

Outstanding Debt - The Authority is limited by the 1989 Ordinance to having no more than \$500 million of debt outstanding at any one time. The Authority currently has approximately \$139 million of bonds outstanding. The bond amortization of outstanding bonds provides the

Authority with essentially level annual debt service of \$39.1 million and all bonds will be retired by March 1, 2010. The following chart details annual debt service for each of the Authority's four outstanding bond issues.



The Authority's outstanding debt issued under the original Measure I is currently only rated by one of the three major credit rating agencies. Fitch Ratings has assigned the rating of AA- to the Authority's outstanding debt.

Debt Service Coverage - Revenues under the original Measure I Ordinance have provided relatively high debt service coverage levels. The Authority's Bond Indenture allows for the issuance of additional bonds only if the Authority projects that Pledged Sales Tax Revenues will be at least equal to 1.3 times the amount of the maximum annual debt service on all outstanding parity debt and the additional debt being contemplated. The following table shows the historical debt service coverage that has been achieved by the Authority and the coverage levels that are projected for the remaining four years of the original Measure I.

Original Measure I Revenues and Debt Service Coverage

Fiscal Year Ending June 30	Revenue Growth Rate	Sale Tax Revenue Less BOE Fees (\$000)	SANBAG Pledged Revenue (\$000)	Fiscal Year Debt Service (\$000)	Debt Service Coverage
1991	NA	54,780	46,919		
1992	-1.82%	53,784	46,066		
1993	1.79%	54,748	46,892	10,061	4.66
1994	0.17%	54,842	46,972	18,799	2.50
1995	5.69%	57,961	49,644	20,772	2.39
1996	7.03%	62,037	53,135	24,531	2.16
1997	4.53%	64,847	55,541	21,788	2.55
1998	7.05%	69,420	59,458	25,007	2.38
1999	5.51%	73,244	62,733	27,555	2.28
2000	11.18%	81,436	69,750	27,553	2.53
2001	10.50%	89,987	77,074	27,553	2.80
2002	4.97%	94,458	80,903	39,980	2.02
2003	8.14%	102,151	87,492	39,236	2.23
2004	8.03%	110,351	94,516	39,169	2.41
2005	16.71%	128,793	110,311	39,089	2.82
2006	13.11%	145,681	124,776	39,018	3.20
2007	5.13%	153,154 *	131,177	39,082	3.36
2008	5.13%	161,011 *	137,906	39,022	3.53
2009	5.13%	169,271 *	144,981	38,953	3.72
2010	1.72%	129,137 *	110,606	39,213	2.82
Total		1,911,094	1,636,852	556,400	

* Projected

The Renewal Measure I

With the approval of the renewal Measure I, the Authority has the opportunity to update and modernize its Bond Indenture to provide the Authority with the most flexible financing structure possible. The Authority will also need to establish guidelines regarding how much of its capital program to fund on a pay-as-you-go basis and how much is to be debt financed, target debt service coverage levels, the potential use of subordinate debt and financial hedges in certain circumstances and other matters. The decisions the Authority makes regarding these guidelines will largely determine the credit rating that will be secured for debt issued under the renewal Ordinance.

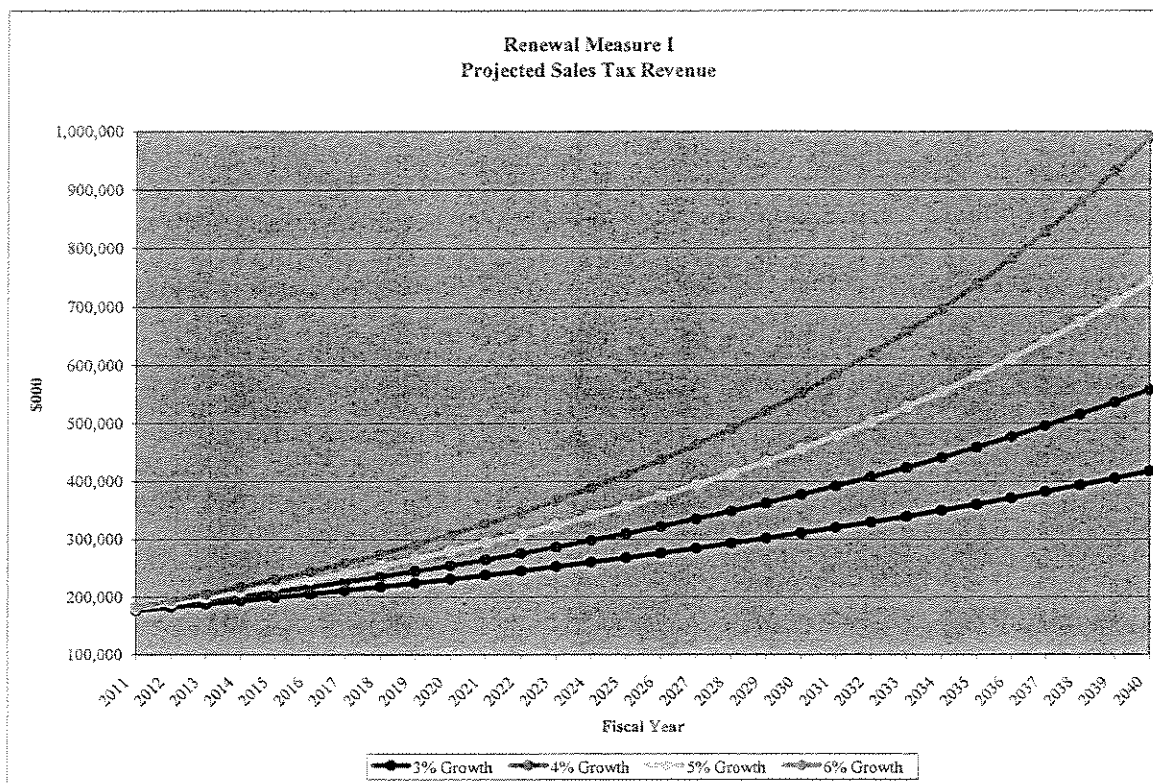
Pledged Revenues – The renewal Measure I did not contain the concept of a carve-out of Sales Tax Revenues for a “Mountain-Desert Share.” Therefore, the Authority will have the ability to pledge all net Sales Tax Revenues to the repayment of bonds, if it so chooses. From an investor’s viewpoint, the higher the percentage of pledged revenues, the stronger the credit will be.

The renewal Ordinance does, however, require that Sales Tax Revenues generated from each specified subarea within the county as outlined in the Expenditure Plan must be expended on projects of direct benefit to that subarea. This “return to source” concept applies to expenditures over the life of the Measure, not at any particular point in time.

Debt Service Coverage – While the Authority has no control over its sales tax revenue stream, it must limit its issuance of debt to make sure it is not projected to violate the additional bonds test. As described above, the original Measure I had an additional bonds test of 1.3 times. Based on conversations with the authority's rating analyst at Fitch Ratings, we recommend that the Authority maintain this level for the renewal Measure's bonding program. However, even with this relatively low threshold for the issuance of additional bonds, we recommend that the Authority have a target level of coverage that is significantly higher – perhaps 2.0 times. While the target coverage level is not binding, it will give investors and the credit rating agencies comfort that the Authority will act prudently in determining its level of bonded indebtedness.

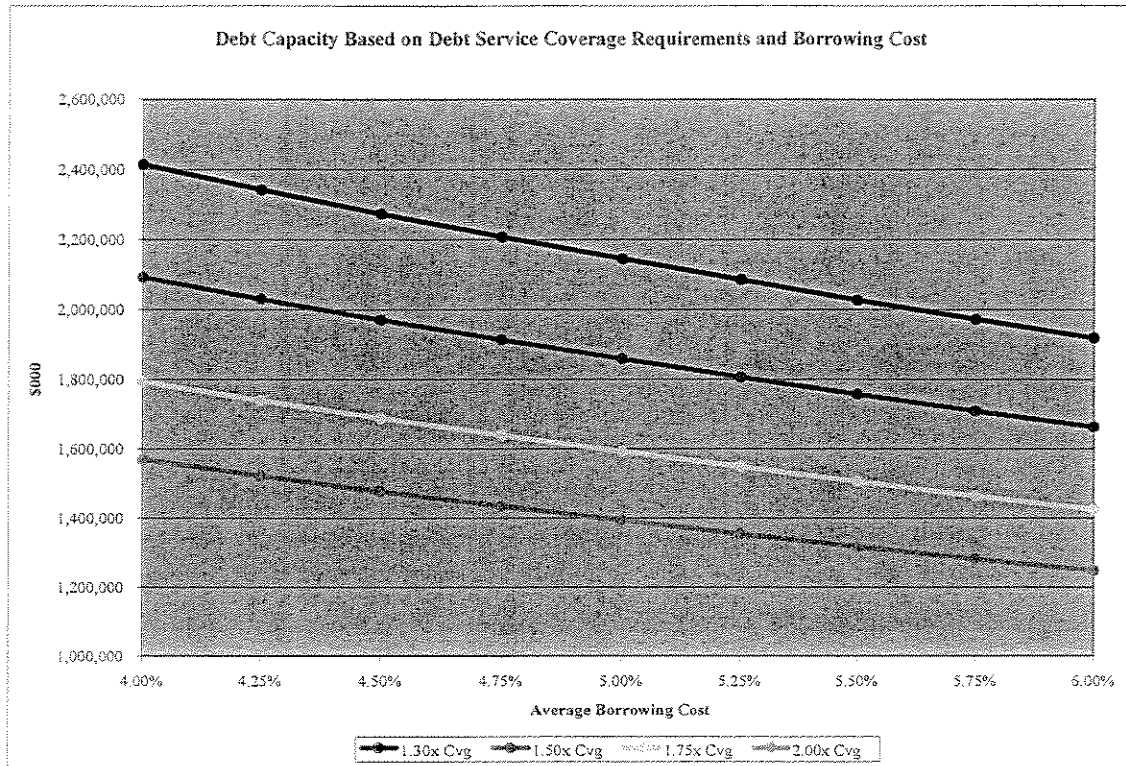
Projected Sales Tax Growth - The Sales Tax Revenue growth rates the Authority uses in its Expenditure Plan assumptions will determine not only the timing and phasing of its capital projects but also the timing and amount of debt it will be able to issue. We recommend that the Authority utilize conservative growth assumptions to assure that projects under construction at any point in time will have adequate funding to assure their timely completion. This approach is likely to result in the availability of uncommitted revenues in most years that can be applied to project acceleration or other pay-as-you-go projects that are not yet scheduled.

The average sales tax revenue growth rate for the state of California for the last 50 years has been approximately five percent and the average sales tax revenue growth rate for the County of San Bernardino during the life of the original Measure I (1991-2006) has been approximately 6.8 percent. However, based on discussions with Fitch Ratings we recommend using a growth rate of four percent to assure that the Authority will be in a position to manage the periods in which growth rates are very low. The following graph shows projected sales tax revenues for the life of the renewal Measure under various sales tax growth assumptions.

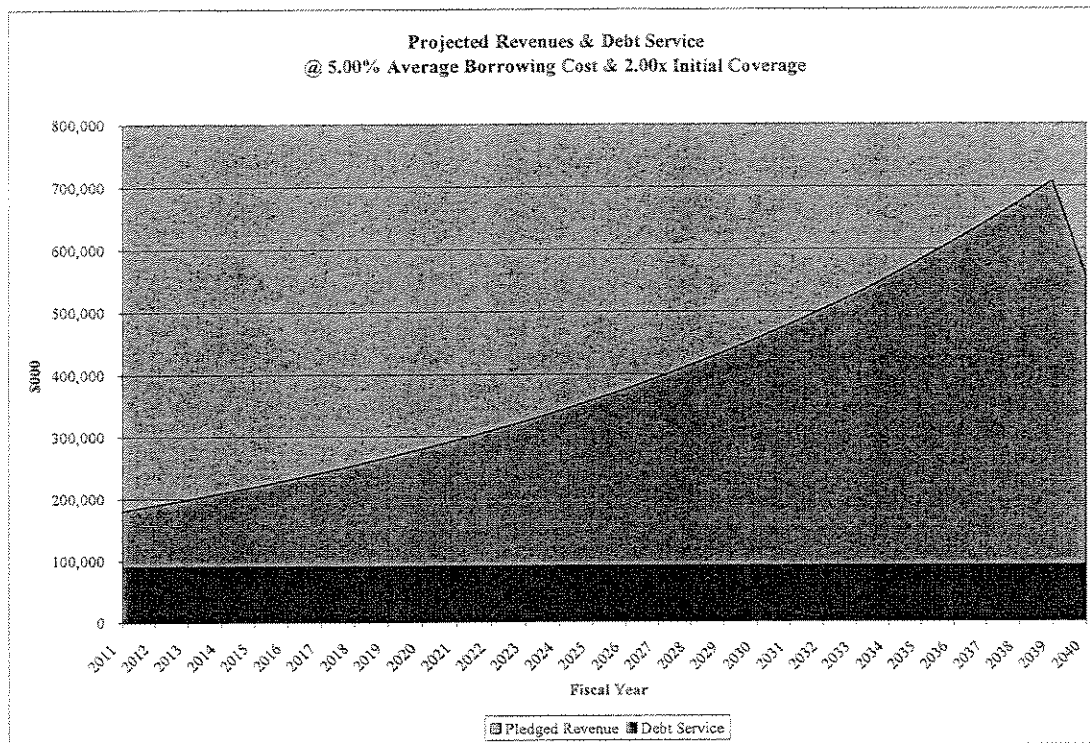


Debt Capacity - The Authority will have substantial borrowing capacity beginning in the first full fiscal year (FY 2010-11) after the transition to the renewal Measure I. Assuming the growth rates that the Authority's economic forecaster, Economics & Politics, Inc., provided in April 2006 for the balance of the original Measure I and the recommended four percent growth for revenues of the renewal Measure, we have projected the Authority's initial (2010) borrowing capacity for a 30-year, level annual debt service bond issue for the renewal Measure I under a number of different interest rate and debt service coverage scenarios. The results are summarized below in tabular and graphical form.

Borrowing Cost	Renewal Measure I Initial (2010) Debt Capacity Based on			
	1.30x Coverage	1.50x Coverage	1.75x Coverage	2.00x Coverage
	(\$000)	(\$000)	(\$000)	(\$000)
4.00%	2,358,926	2,044,402	1,752,345	1,533,302
4.25%	2,287,584	1,982,572	1,699,348	1,486,929
4.50%	2,219,447	1,923,520	1,648,732	1,442,640
4.75%	2,154,342	1,867,097	1,600,368	1,400,322
5.00%	2,092,107	1,813,159	1,554,137	1,359,870
5.25%	2,032,588	1,761,577	1,509,923	1,321,182
5.50%	1,975,642	1,712,223	1,467,620	1,284,167
5.75%	1,921,133	1,664,982	1,427,127	1,248,736
6.00%	1,868,934	1,619,743	1,388,351	1,214,807



Assuming a four percent growth rate for renewal Measure I revenues and an average borrowing cost of five percent, in the first full year of revenue collections from the renewal Measure, the Authority could conservatively borrow up to \$1.36 billion and maintain a target debt service coverage level of 2.0 times. The resulting bond debt service would be approximately \$89.5 million per year through 2040. The following chart details the projected revenues and debt service for this borrowing scenario.



The above analysis only addresses the Authority's debt capacity that will be available for a new bond issue having level debt service that is sold in 2010, the first year of the renewal Measure's sales tax collections. It should be noted that the Authority will have significant additional borrowing capacity in future years.

Senior and Subordinate Debt – As the Authority considers the security structure it will use for the renewal Measure I, it will have several alternatives to consider. It will have the ability to structure its debt under the renewal Measure in a way that gives all borrowing an equal repayment priority or permit a subordinate pledge of revenues with a lower debt service coverage requirement (e.g., 1.10 times rather than 1.30 times). The buyers of subordinate debt require a higher return than those purchasing senior debt due to their riskier credit position and the lower debt service coverage requirements. Therefore, the use of subordinate lien debt will be more expensive for the Authority. Because the Authority is likely to have a significant pay-as-you-go component to its capital construction program under the renewal Measure, it is expected to have borrowing capacity available to it that will far exceed its needs. This will likely result in the Authority being able to issue all of its debt on a senior lien basis with all bonds having an equal repayment priority. This being said, we recommend that the Authority structure the Renewal Measure I Indenture to allow for the future issuance of subordinate lien debt in the event some unforeseen need arises.

Interim Financing – The Authority could establish a short-term borrowing program designed to fund project design, environmental approval and other pre-construction and construction costs. While there may be several instruments that could be used for this purpose, if the Authority were to pursue this option, we would suggest that strong consideration be given to the development of a commercial paper ("CP") program. Many borrowers find CP to be both low cost and extremely flexible when faced with uncertain drawdowns and repayment

schedules, such as is encountered with construction or capital financings. With a CP program, a borrower can borrow only as much as is needed, can roll interest when due by financing it with the issuance of additional CP such that the accumulated CP borrowings can be repaid when funds are available, in the Authority's case, beginning in 2010. CP requires bank credit enhancement.

Interest Rate Hedges – Tax-exempt interest rates are currently near 20-year lows. While the Authority currently has significant cash reserves to fund near-term construction needs, if it desired it could use financial hedging instruments such as interest rate swaps to lock in fixed interest rates for a portion of its future borrowing needs that are very near today's low rates. For instance, if the Authority were to issue 30-year bonds in today's interest rate environment, the borrowing would have an average interest cost of 3.65 percent. If it chose to, the Authority could at this time execute a forward starting interest rate swap that would lock in a 3.70 percent fixed interest rate for a 30-year borrowing to be issued in 2010.

Local Borrowing – Due to the structure of the original Measure I, local jurisdictions and sub-areas of the County were allocated a formula-based portion of the County's sales tax revenues for use on local transportation projects. In several instances, these local jurisdictions and sub-areas pledged their interest in the sales tax revenue stream to the Authority and the Authority completed borrowings to allow for the funding of local projects in these areas. As mentioned earlier, in the renewal Measure I there is no formula-based allocation and distribution of sales tax revenues to local jurisdictions or sub-areas. Instead, there is a return to source concept that will require the Authority to monitor the source of revenues collected in sub-areas and program expenditures over the life of the renewal Measure to ensure funds are used in a way that either directly benefits each sub-area in proportion to revenue generated in the sub-area or the benefit of regional projects is allocated in a way that satisfies the return to source concept.

Several local jurisdictions have inquired about their ability to secure financings for local projects by pledging their share of sales tax revenues to be collected under the Renewal Measure I in a manner that is similar to what has been done by the Cities of Barstow and Big Bear, the Town of Yucca Valley and a portion of the unincorporated area of the County. While we do not believe that the individual local jurisdictions in the County will have the ability to secure their own financing for local projects using the Authority's revenue stream as security, we believe that the Authority could borrow for the local projects so long as the Authority has determined that the amount being borrowed will not exceed the amount the local jurisdiction is entitled to under the return to source analysis. While the question will also require additional legal research, we believe that it should be possible to structure such a borrowing for a local jurisdiction in the County that utilizes a pledge of original Measure I revenues through April 2010 and renewal Measure I revenues thereafter.

Conclusion

Based on the research and analysis completed and referenced above, we make the following initial recommendations regarding the renewal Measure I bonding program:

- The Authority should continue to use the same 1.3 times additional bonds test (debt service coverage) that was used under the original Measure I bond program.

- The Authority should have as a policy a more conservative additional bonds test than 1.3 times used in the bond Indenture; perhaps 2.0 times.
- The Authority should utilize conservative sales tax revenue growth rates in projecting renewal Measure I revenues. We recommend using a growth rate of approximately 4.0% for planning purposes.
- The Authority should plan to issue all debt on a senior lien basis but should reserve the ability to utilize a subordinate lien should the need arise.
- If interim financing is needed by the Authority for any of its capital projects, it should consider using a tax-exempt commercial paper program as a relatively low cost, short-term financing vehicle.
- Given that current tax-exempt interest rates are near 20-year lows, the Authority should evaluate the benefits of locking in a portion of its future borrowing costs through the use of interest rate hedging instruments such as interest rate swaps.
- The Authority can assist local jurisdictions that desire to proceed with local transportation projects consistent with the Authority's capital program, possibly by pledging original and renewal Measure I revenues to financings for those projects.

If you have any questions please contact Doug Montague at (818) 707-1020.

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 7

Date: November 8, 2006

Subject: Measure I 2010-2040 Strategic Plan Policy Issues

Recommendation:* Review and discuss white paper issues for furtherance of the Strategic Plan.

Background: The SANBAG Board of Directors approved working project cost factors and revenue projections on August 2, 2006. Because consideration of the Project Advancement element of the Measure I Strategic Plan Scope of Work was addressed separately, the next steps in strategic plan development are:

- 1) Development of project prioritization policies and procedures,
- 2) Evaluation of the need for and benefit of "frontloading" or advancing funding for selected programs through inter-program borrowing,
- 3) Further definition of the relationship of fair share development contributions to the fund allocation process, and
- 4) Definition of project development and delivery responsibilities for freeway interchange, major roadway, and grade separation projects.

*

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

ADM0611e-ty
60907000

White papers are attached on Measure I 2010-2040 Programs including:

- the Cajon Pass Program,
- the Victor Valley Major Local Projects Program,
- the Rural Mountain/Desert Major Local Projects Program
- the Valley Freeway Program
- the Valley Freeway Interchange Program
- the Valley Major Streets Program
- the Valley Metrolink/Rail Program
- the Valley Express Bus/Bus Rapid Transit Program
- Bond Financing Debt Capacity
- Inter-Program Issues
- Legislative Issues

that identify major technical and policy issues within each program associated with these elements of the scope of work, and alternative strategies to address them for detailed consideration by the policy committee with purview over each program. In addition, staff has developed white papers to address inter-programmatic issues (issues that affect multiple programs or may cause one program to affect others) that do not fit neatly into discussion of any one program, and Legislative issues that may affect or contribute to the success of the program.

Staff provided copies of all white papers to the membership of each committee and the Board of Directors as a whole for the October meetings.

Additional issues raised at primarily the Administrative and Major Projects committee meetings included the following:

1. Is there a point at which we should go back to the voters for an additional increment of sales tax revenue for transportation, rather than cutting projects?
2. Should we review/establish SANBAG policy related to project enhancements vs original scopes of projects to insure that the projects constructed first do not consume funds required for projects to be constructed later?
3. With current escalation of construction costs, should we develop a spend down strategy that analyzes the cost of bonding vs the cost of delayed construction?

4. What are the potential opportunities and challenges related to Public/Private partnerships for SANBAG projects.
5. Should SANBAG be "doing the heavy lifting" related to development mitigation rather than each jurisdiction fighting the battle independently?
6. Will there be sufficient funding to meet all of the needed local and arterial road improvements with the new Measure?
7. Can SANBAG orchestrate a regional lobbying strategy that utilizes the skills and relationships of its elected officials to lobby for federal and State funding to mitigate the impacts of goods movement in San Bernardino County? Can SANBAG develop a fact sheet on the local costs to San Bernardino County related to mitigation of goods movement impacts?

These questions and issues were a subject of some discussion at the October Plans and Programs Committee. Also presented at the Plans and Programs Committee was a preliminary reassessment of the levels of state and federal funding that were assumed to be available during 2010-2040 to contribute to delivery of the Measure I 2010-2040 programs. Assuming protection of Proposition 42 funds and various estimates of state and federal transportation revenue growth, the amount originally assumed in the Expenditure Plan, \$1.1 billion, could be increased by \$1.4 billion to \$3.0 billion. It is expected that these additional funds, like those previously assumed to be available, would be directed primarily to freeway and freeway interchange projects throughout the county, and could contribute significantly toward closing the previously-discussed funding gap created by the rapid cost escalation experienced during the 2003-2005 period. Receipt of state and federal funds in those amounts, however, will require vigilance and leadership on SANBAG's part.

Due to the extent of discussions of the issues and white papers at the Policy committee meetings in October, the discussions have been scheduled to continue at the November Policy committee meetings. Based on the white papers, staff will attempt to frame the issues on which policy direction is required and suggest policy alternatives. Ultimately, each committee will be asked to develop recommendations on the programs or issues within its purview. Staff proposes to then return to the Plans and Programs Committee for continued discussion and policy development on the complete spectrum of issues, with consideration of the input by the policy committees responsible for the various individual programs.

The next workshop will be scheduled as appropriate to consider recommended approaches to the policy issues outlined above and discussed within the white papers. Members of the Board of Directors with interest in a particular program but not on the policy committee with purview over that program are encouraged to attend the committee meetings in an unofficial capacity.

Financial Impact: This item is consistent with the approved Fiscal Year 2006-2007 Budget.

Reviewed By: This item will be reviewed by the Administrative Committee on November 8, the Major Projects Committee on November 9, the Plans and Programs Committee on November 15, the Commuter Rail Committee on November 16, and the Mountain-Desert Committee on November 17, 2006.

Responsible Staff: Ty Schuiling, Director of Planning and Programming
Darren Kettle, Director of Freeway Construction
Deborah Barmack, Director of Management Services
Mike Bair, Director of Transit and Rail Programs
Terry McGuire, Chief Financial Officer

Name of Program: Cajon Pass Program

Brief description: Measure I 2010-2040 requires that three percent (3%) of the revenue generated in the San Bernardino Valley Subarea and the Victor Valley Subarea be reserved in advance of other allocations for the Cajon Pass Account for funding of the I-15/I-215 Interchange in Devore, I-15 widening through Cajon Pass, and truck lane development. Cajon Pass serves as the major transportation corridor connecting the two urbanized areas within San Bernardino County and is in need of the identified improvements. These improvements are critical components to intra-county travel for residents of both the Victor Valley and San Bernardino Valley.

Technical issues:

In February 2006 the Board of Directors approved the final report for the Interstate 15 Comprehensive Corridor Study. The Study contemplated major transportation investments along the I-15 Corridor from SR 60 to D Street in northern Victorville. Included in the final report were recommendations to proceed with further analysis on two alternatives, dedicated tolled truck lanes and managed (moveable barrier) tolled auto lanes. The I-15 Corridor Study limits extend well beyond the limits of the Cajon Pass Program, the limits of the Cajon Pass program extend from the I-15/I-215 Devore Interchange to Cajon Summit, thus requiring consideration of how the Cajon Pass program fits within the overall I-15 Corridor program.

As part of the Board action approving the final report SANBAG staff was directed to investigate financing options to accelerate one component that was included in both the I-15 Corridor study and is eligible for funding from the Cajon Pass Program, that project being the reconstruction and realignment of the I-15/I-215 Devore Interchange. In August 2006 the Board approved in concept loaning current Valley Major Project funds to the future Cajon Pass program in order to fund project development activities for this project. Staff anticipates requesting the Board to authorize releasing a Request for Qualifications (RFQ) for Preliminary Engineering and Environmental Document development by the end of 2006 with project development work expected to commence in early 2007.

The most glaring technical issue facing the Cajon Pass program is the issue of available funding versus project cost. The Cajon Pass Program as originally proposed to County voters estimated a total Measure I fund availability of \$170 million and State and Federal revenues of \$60 million for a total of \$230 million. Recent estimates for the I-15/I-215 Devore Interchange project exceed \$200 million alone and the current estimate to for an additional lane in both directions on the I-15 through the Cajon Pass is \$ 270 million.

Policy considerations and alternatives:

- 1) *Project Acceleration* – The Board has approved loaning funds between the two Measures in order to continue progress on project development activities for the I-15/I-215 Devore Interchange identified in Cajon Pass program. This action will allow preliminary engineering and environmental clearance activities to proceed in advance of new Measure I revenues being available. Design-Build procurement is another tool that could be used to accelerate the Devore Interchange project. The Board's adopted Legislative Program supports the use of Design-Build procurement for transportation projects but a change in state law will be required to allow for Design-Build for freeway projects.
- 2) *Linkages to the Valley Freeway Program and Victor Valley Major Projects Program* – The I-15 Comprehensive Corridor Study clearly shows that while the Cajon Pass projects are necessary to relieve congestion on this major corridor, additional freeway lane capacity will also be required on the I-15 from SR 60 to the Devore Interchanges (a project identified in the Valley Freeway program) and from Cajon Summit to D Street in north Victorville (a project identified in the Victor Valley Major Projects Program). Any discussion that takes place relative to the I-15 freeway mainline improvements through the Cajon Pass must be done in conjunction with the overall I-15 Corridor.
- 3) *Funding availability* – In September 2006 the Board approved a revised Measure I 2010-2040 revenue estimate of \$8 billion, up from \$6 billion in 2004. Based on the revised revenue estimate,

the Cajon Pass Program could anticipate approximately \$225 million or little less than half of the funding need for the construction of the two major Cajon Pass freeway projects. While \$70 million of state and federal funds were initially identified for Cajon Pass Projects, clearly it will be necessary to more aggressively pursue state and federal transportation funds should traditional funding sources (ie., gas taxes, Proposition 42) be the only other funding sources besides Measure I.

Public Private Partnerships may also be a viable alternative to fund the shortfalls in the Cajon Pass program and other Interstate 15 corridor projects. For example, SANBAG and Caltrans might consider proceeding with a Managed Lane Concept that includes a moveable barrier and a total of three new freeway lanes with tolls being charged to use the Managed lanes on the I-15 Corridor from SR 60 to D Street in North Victorville. A project such as this with high volume of traffic on a major freeway corridor are getting more and more attention from the private sector as the economics "pencil out" on a long term investment. An additional benefit of public private partnerships is that they often involve a substantial concession fee that can be used to fund other transportation projects.

Recommendations: To be developed through committee discussion.

Responsible Staff: Darren Kettle, Director of Freeway Construction

Name of Program: Victor Valley Major Local Highway Projects

Brief Description: In the Mountain/Desert subareas, 70% of revenue generated is preserved for Local Street Projects. The Measure I Expenditure Plan for each Mountain/Desert subarea specifies that 25% of Measure I revenues collected in each subarea be set aside for Major Local Highway Projects. Eligible projects for the Major Local Highway Projects category include "major streets and highways serving as primary routes of travel within the subarea, which may include State highways and freeways." The Plan also states that these funds can be used to "leverage other State and Federal funds . . . and to perform advance planning/project reports."

Technical issues: The Measure I Expenditure Plan estimated that the total amount of funds collected in the Victor Valley Major Local Highway Projects category over the thirty year period would be \$213m. Although this amount is considerably higher than other Mountain/Desert Subareas, the magnitude of transportation needs and cost of major facility construction render this amount woefully insufficient. Revised revenue estimates by subarea are under development and will provide an improved estimate of available revenue throughout the term of the Measure. Although Victor Valley revenue is expected to increase, it is doubtful that the imbalance between needs and available funding will be changed.

In the Victor Valley subarea, it was never anticipated that the Major Local Highway Projects category would fully fund any projects. Although projects were named in the Measure, the named projects were examples of major projects which were easily identified as priorities at the time the Measure was drafted. The projects listed were examples and not intended to represent a comprehensive list for this category. Language in the Expenditure Plan specifically stated these funds would be used as **"Contributions to Projects, including but not limited to:"**

The Expenditure Plan also contained an estimate of \$39m in State and Federal funds which would be available to the Victor Valley subarea. This estimate, however, cannot be relied upon considering the shortcomings of transportation funding at both the State and Federal level.

The Victor Valley is distinctly different from other Mountain/Desert subareas in two specific ways. The incorporated areas and surrounding county areas were included in the SANBAG Nexus Study which requires a fair share contribution by new development to transportation projects. It is also distinctively different in that there are two new major freeway corridors proposed in the subareas; i.e., High Desert Corridor (E-220) estimated to cost \$640m and US-395 estimated to cost \$670m.

The Nexus Study for the Victor Valley indicates the following cost and fair share contributions from new development in the Victor Valley:

Improvement Category	Total Cost	Development Contribution*
High Desert Corridor (E-220)	\$ 640m	\$ 0
US-395	\$ 670m	\$ 0
SR-138 West	\$ 81m	\$ 0
I-15 Widening	\$ 398m	\$ 0
Interchanges	\$ 268m	\$ 146m
Arterials	\$ 586m	\$ 294m
Grade Separations	\$ 32m	\$ 8m

*Amounts include 2006 cost escalation factor of 12.9%)

Due to the lack of specifically identified projects and the vagaries of the amount of "contributions" from the Major Local Highway Projects category, project prioritization and allocations from the Major Local Highway Projects category are left to future policy determinations.

Policy Considerations and alternatives:

Considering the limited financial resources in the Major Local Highway Projects category, a number of policy decisions will be required in establishing principles for allocation of funds in the Victor Valley. Some of the policy considerations are:

- 1) *What criteria should be used to establish eligibility for allocation of funds from the Major Local Highway Projects category? (State highway improvements only? Arterials spanning multiple jurisdictions? Projects which can demonstrate improved performance of general traffic circulation throughout the subarea? Project readiness?)*
- 2) *Should the allocation of funds from Major Local Highway Projects be limited to new corridors, State Highways, and interchanges only? (Approximately 70% of revenue collected in the Victor Valley is available for local streets and arterials. Considering the tremendous need for major highway investment, use of Major Local Highway Project funds to new corridors, State highways, and interchanges may be prudent.)*
- 3) *Should a percentage of funds be set aside for corridor preservation, which would provide a source of local funding for early acquisition and preservation of parcels which may become available along the new corridor alignments?*
- 4) *How are the limited funds in Major Local Highway Projects category allocated? (Full funding of projects on first-ready, first build basis? Percentage of project by phase? Percentage of construction only? Maximum amount per project? Percentage of funds generated on annual basis? Reservation of funds for limited number of specifically identified projects? Allocation based upon amount of additional funds leveraged? Allocation based upon performance measurements and/or assessment of benefit to all jurisdictions within the subarea?)*
- 5) *Is there an expectation that jurisdictions will allocate a portion of Local Street Project funds for project development or as partial funding to be combined with Major Local Highway Projects for project construction?*
- 6) *Should development mitigation be considered in allocation of Major Local Highway Projects? (Are there any special consideration of Development Mitigation contributions in the Victor Valley?)*
- 7) *What special provisions, if any, should be made to allow for areas outside the Nexus Study boundaries to compete for allocations of Major Local Highway Projects? (Projects such as SR-138, SR-2, SR-18 Lucerne.)*

Recommendation: To be developed through committee discussion.

Responsible Staff: Deborah Barmack, Director of Management Services

Name of Program: Rural Mountain/Desert Major Local Highway Projects

Brief Description: In the rural Mountain/Desert subareas, the overriding principle was that the highest transportation need and priority were in local street improvements. This is demonstrated by the 70% of revenue categorized for this purpose. The Measure I Expenditure Plan for each of the Mountain/Desert subareas also includes a category of funding for Major Local Highway Projects. (The issues related to this category of funding in the Victor Valley are substantially different and are addressed in a separate issue paper.) The Major Local Highway Projects category receives of 25% of Measure I revenues collected in each subarea. Eligible projects for this category of funds include "major streets and highways serving as primary routes of travel within the subarea, which may include State highways and freeways." The Plan also states that these funds can be used to "leverage other State and Federal funds . . . and to perform advance planning/project reports."

Technical issues: The total amount of funds collected in this category over the thirty year period is relatively small compared to the cost of construction for major highway improvements; i.e.; North Desert \$24m, Mountains \$30m, Morongo Basin \$31m; and Colorado River \$15m. Revised revenue estimates by subarea are under development. However, it is safe to say that anticipated revenue in this category may be in the neighborhood of \$1m a year or less.

Due to the vast areas and many miles of major local highways in these subareas areas, it was never anticipated that these funds would fully fund any project/s. Although projects were named in the Measure, the named projects were examples of major projects which were easily identified as priorities at the time the Measure was drafted. The project lists were not intended to provide a specific project list for the term of the Measure. Language in the Expenditure Plan specifically stated these funds would be used as "**Contributions to Projects, including but not limited to:**"

Estimates of an amount of State and Federal funds available to each subarea were included in the Expenditure Plan. These estimates, however, cannot be relied upon considering the shortcomings of transportation funding at both the State and Federal level.

Due to the lack of specifically identified projects and the vagaries of the amount of "contributions" from the Major Local Highway Projects category, project prioritization and allocations from the Major Local Highway Projects category are left to future policy determinations.

Policy Considerations and alternatives:

Considering the limited financial resources in the Major Local Highway Projects category, a number of policy decisions will be required in establishing principles for allocation of funds. It is possible that some criteria could be established which apply to all Rural Mountain/Desert subareas. However, it is certain that representatives of each subareas will be required to establish allocation principles which best fit the needs of their each subarea. Some of the policy considerations are:

- 1) *What criteria should be used to establish eligibility for allocation of funds from the Major Local Highway Projects category? (State highway improvements only? Arterials spanning multiple jurisdictions? Projects which can demonstrate improved performance of general traffic circulation throughout the subarea? Project readiness?)*
- 2) *How are the limited funds in Major Local Highway Projects category allocated? (Full funding of projects on first-ready, first build basis? Percentage of project by phase? Percentage of construction only? Maximum amount per project? Percentage of funds generated on annual basis? Reservation of funds for limited number of specifically identified projects? Allocation based upon amount of additional funds leveraged? Allocation based upon performance measurements and/or assessment of benefit to all jurisdictions within the subarea?)*

- 3) *Is there an expectation that jurisdictions will allocate a portion of Local Street Project funds for project development or as partial funding to be combined with Major Local Highway Projects for project construction?*
- 4) *Should development mitigation be considered in allocation of Major Local Highway Projects? (Although none of the subareas in the Mountain/Desert area except the Victor Valley, were included in the SANBAG Nexus Study, most jurisdictions in the rural Mountain/Desert subareas are considering or have established development mitigation programs. How these programs should or should not be linked to the allocation of Major Local Highway Project funds needs to be established.)*

Recommendation: To be developed through committee discussion.

Responsible Staff: Deborah Barmack, Director of Management Services

Name of Program: Valley Freeway Program

Brief description: Measure I 2010-2040 requires 29% of revenue collected in the San Bernardino Valley Subarea fund freeway projects within the San Bernardino Valley Subarea. Projects to be constructed with Freeway Projects funds include the widening of the following freeways:

- I-10 HOV – Milliken Avenue to Riverside County Line
- I-15 – Riverside County Line to I-215
- I-215 – Riverside County Line to I-10
- I-215 – SR 210 to I-15
- SR 210 – I-215 to I-10
- HOV Connectors

Note: The Interstate 215 project through San Bernardino and Interstate 10 Westbound Lane addition down the Yucaipa grade is expected to be fully funded from current Measure I funds.

Technical issues:

- 1) *Project Initiation Documents* – With the exception of the I-215 widening north of the SR 210 interchange and the HOV connectors, all of the projects listed above have had some level of project development work underway.
- 2) *Preliminary Engineering* – Preliminary engineering (the effort required to get a project to 30% design) is underway on the I-215 widening between Riverside County Line and I-10. The Board has conceptually approved proceeding with preliminary engineering for the I-10 widening.
- 3) *Environmental Clearances* – Work is underway on the Environmental Impact Report/Statement for the I-215 widening between Riverside County Line and I-10. The preliminary Project Study Report for the I-10 HOV projects prepared by Caltrans suggests that a Categorical Exception/Exclusion with studies will be the required environmental document. Various levels of environmental analysis will be necessary for all projects identified above with timeframes ranging from 2-6+ years.
- 4) *Final Design* – SANBAG or Caltrans – In the past 5 years or so the SANBAG Board has encouraged staff to pursue lead agency status for the purpose of final design of major freeway projects. It is assumed that this will continue as SANBAG's preferred approach for design activities. It is anticipated that SANBAG will continue to use engineering/design consultants rather than increasing internal staffing to perform this work.
- 5) *Unknowns of project complexity until preliminary engineering/environmental is underway* – The preliminary engineering phase of project development includes a variety of studies, the results of which lead to an ultimate project scope. Studies such as geotechnical/seismic, noise, traffic/system operations, endangered species, right of way, historic properties etc., are necessary element of project development but until these studies are complete it is difficult to truly scope the projects and the total costs associated with the projects.

Policy considerations and alternatives:

- 1) *Project Acceleration* – The Board has approved loaning of funds between the two Measures in order to continue progress on project development activities for the I-10 HOV Project identified in Measure I 2010-2040. This action will allow preliminary engineering and environmental clearance activities to proceed in advance of new Measure I revenues being available. The Board's adopted Legislative Program supports the use of Design-Build procurement for transportation projects but a change in state law will be required to allow for Design-Build for freeway projects.
- 2) *Linkages to Valley Freeway Interchange Program* – A number of Valley Freeway Projects will require either early or concurrent construction of antiquated and heavily congested local freeway interchanges. Given the limited resources available and the potential of over a \$1 Billion of

freeway construction in the first decade of the new Measure, it may be necessary to require freeway interchange project funds be made available first to those projects that affect mainline freeway construction

- 3) *Funding availability* – Due to a variety of factors the estimated projects costs for all the major freeway projects have more than doubled. While revenue projections have also increased, revenues still fall far short of what is necessary to fund the construction of all the projects listed above using “traditional” sources. Public-Private Partnerships, a relatively new concept in the United States that typically include some sort of tolling component and concession arrangement, have become an accepted alternative to fund and deliver major freeway capacity projects. A potential candidate corridor for this concept would be the Interstate 15 from the Riverside County Line to Cajon Summit or potentially through the Victor Valley either through a managed lane concept or a dedicated tolled truck lane.

A related policy question is that should SANBAG want to proceed with \$1 Billion worth of Freeway construction in the first decade of the new Measure, it will be necessary to utilize some form of long-term financing. The fundamental issues between long-term financing vs. pay as you go are twofold. First, by constructing the project earlier using bond proceeds, there is a high probability that the project will cost less than it would a number of years later under a “pay as you go” approach. Second, there is a value to the region, be it be it a quality of life value, a reduction in vehicle hours of delay, or air quality benefits, by advancing the project through the use long-term financing. A separate issue paper focusing on long-term financing more thoroughly frames the policy debate in this area.

Another concept to consider is a loan program between Measure categories similar to what was used in the current measure where Valley Major Projects funds that were not yet necessary to fund projects were available to “loan” to the commuter rail program to meet early 1990’s needs for the Metrolink system. The commuter rail program has been repaying the Major Projects program and will fulfill its’ repayment obligation before the sunset of the current measure. Obviously, this concept only works if a major program category does not require a timely use of available funds.

- 4) *System sequencing* – Given the nature of congestion in the Valley region of the County a substantive argument could be made that nearly all of the projects listed above are necessary now or within the next few years. SANBAG has generally used project readiness and funding availability as the determining factors for project delivery. While these two factors should remain elements of the policy decision-making process a third component should be considered which is how does the overall freeway system perform when certain improvements are made. SANBAG staff is currently developing capabilities that will graphically illustrate system performance that may assist the Board in making project prioritization decisions.

Recommendations: To be developed through committee discussion.

Responsible Staff: Darren Kettle, Director of Freeway Construction

Name of Program: Freeway Interchange Projects

Brief description: Measure I 2010-2040 requires 11% of revenue collected in the Valley Subarea shall fund Freeway Interchange Projects. There are 31 Freeway Interchange Projects identified in the Measure and language intended to allow for additional interchange projects to be funded from this category. Language is also included in the Measure requiring equitable geographic distribution of projects be taken into account over the life of the program.

Technical issues:

The technical issues associated with the freeway interchange program will vary from interchange to interchange. In nearly all instances environmental clearances will likely require the preparation of an Initial Study/Environmental Assessment, a process that currently take an average of 2-3 years. As the interchange projects have direct interface with the freeway system both Caltrans and in most cases the Federal Highway Administration, will have a substantial role in all phases of the project.

There are two programmatic fundamental technical/structural questions that will affect the freeway interchange program that will only be answered through healthy policy debate and the two may very well be in conflict given the reality of the overall funding picture for freeway interchange projects. **First**, Measure I 2010-2040 requires a development contribution to freeway interchange projects and it has not yet been determined when SANBAG would be required to make Measure I Interchange program funds available to a project. **Second**, and potentially in conflict with the easy answers to the first question is how the Interchange program and Valley Freeway Program interface particularly if mainline freeway project acceleration remains a policy priority.

Policy considerations and alternatives:

- 1) *Project Acceleration* – The Board has approved loaning funds between the two Measures in order to continue progress on project development activities for the I-10 HOV Project identified in Measure I 2010-2040. This action will allow preliminary engineering and environmental clearance activities to proceed in advance of new Measure I revenues being available. Additionally, to maintain an accelerated schedule, several of the freeway interchange reconstructions must be complete before construction of the mainline HOV project commences. Recent actions by the United State Fish and Wildlife Service have cleared the substantial hurdle of addressing endangered species issues along this corridor so long as mitigation (habitat) is purchased. In general for freeway interchange projects to be delivered in an accelerated fashion design-build procurement may be a viable option. The Board's adopted Legislative Program supports the use of Design-Build procurement for transportation projects but a change in state law will be required to allow for Design-Build for freeway projects.
- 2) *Linkages to Valley Freeway Program* – A number of Valley Freeway Projects will require either early or concurrent construction of antiquated and heavily congested local freeway interchanges. Given the limited resources available and the potential of over a \$1 Billion of freeway construction in the first decade of the new Measure, it may be necessary to require freeway interchange project funds be made available first to those projects that affect mainline freeway construction.
- 3) *Funding availability* – Freeway interchange reconstructions are predominately funded from two sources; Measure I and Development impact fees as determined by the SANBAG Nexus Study program. The gap between projected revenues and estimated projects costs, while not as significant as that of the Valley Freeway program, is still substantial. More complicated perhaps than the potential gap in funding is the likelihood that local jurisdictions will have their local/developer contribution available and it will be incumbent upon SANBAG to make available the Measure I share to the project. This will likely lead to the policy discussion of whether long term financing should also be used for Freeway Interchanges and may shape how the Board might prioritize funding for interchanges vis-à-vis' the desire to accelerate mainline freeway projects.

Recommendation: To be developed through committee discussion.

Responsible Staff: Darren Kettle, Director of Freeway Construction

Name of Program: Valley Major Streets Program

Brief Description

The Measure I 2010-2040 Expenditure Plan defines eligible Major Streets program projects as "congestion relief and safety improvements to major streets that connect communities, serve major destinations, and provide freeway access." Funding from this program "shall be expended pursuant to a five-year project list to be annually adopted" by SANBAG "after being made available for public review and comment. Funding priorities are improving roadway safety, relieving congestion, street improvements at rail crossings, and shall take into account equitable geographic distribution over the life of the program. Pursuant to Section VIII of the Measure I 2010-2040 Ordinance and the Board-approved Congestion Management Program, eligibility to receive funding from this program is also limited to those major street projects and street improvements at railway crossings for which fair share contributions have been calculated through SANBAG's approved Nexus Study.

Technical issues

The Measure I Valley Major Streets Program is to be funded by a combination of Measure I, federal, and fair share mitigation funds (opportunities, constraints, linkage with other programs). The Measure I share of total funding will initially be 20% of Valley revenue, but will be reduced to 17% or less after ten years commensurate with increased funding for the Express Bus/Bus Rapid Transit Service Program. Estimated Measure I revenues (based on \$8 billion total revenue) are \$1.079 billion. In addition, the Measure I 2010-2040 Expenditure Plan identifies \$82 million in state and federal funds and \$444 million in contributions from new development to fund this program. The updated Nexus Study fair share contribution for these projects is \$616 million, for an estimated available revenue total of \$1.777 billion. The updated cost of the eligible projects is \$1.798 billion, for a small programmatic shortfall of \$21 million. Annual Measure I revenue generation is projected to increase from about \$24 million in the first years to about \$58 million by 2040. Linkages between the eligible arterials and freeway interchanges may mean that the timing of projects funded through this programs may be affected by timing of projects funded through the Interchange Program.

Policy considerations and alternatives

- 1) "Frontloading" (borrowing from one or more other funding programs to advance projects in another programmatic category, with later repayment to the lender programs) of this or other programs may be deemed desirable by the Board of Directors and member jurisdictions. Current discussion suggests that other programs such as Valley freeways, interchanges, or rail are more likely candidates for frontloading than Major Streets, in which case Major Streets could become a donor program in the early years of the Measure. It appears likely, however, that some Valley jurisdictions consider the Major Street program to be more important in the near term than freeway improvements:
 - Option 1: No inter-program loans; all funds maintained for early delivery major street and grade separation projects.
 - Option 2: Cap loans to other programs at a level that permits limited delivery of major street and grade separation projects from the outset of the program.
 - Option 3: Unlimited loans to other programs with provision for later payback.
- 2) Selected grade separations may deserve priority over most arterial street improvements, but are also more likely to attract funding from sources not contemplated in the Expenditure Plan. They are also more likely to be federalized projects (require NEPA clearance in addition to CEQA clearance). Should the arterial street projects be given some degree of preference over grade separations for expenditure of Measure I 2010-

2040 funds, given that most are unlikely to attract other funds and can be delivered with only CEQA review? If so, what kind and how much preference ought to be given?

- 3) Funding packages for all projects eligible for this funding program have a fair share development contribution. SANBAG could prioritize these projects using performance criteria to assess their relative value for relieving congestion and improving safety and geographic equity considerations. Alternatively, SANBAG could merely respond to locally initiated requests for match against the requisite level of development funding. Specific allocation strategies include:
 - Option 1: Call-for-projects basis – A call-for-projects would be issued by SANBAG to allocate a specified amount of program funding based on Board-approved evaluation criteria. Project maximums may or may not be specified.
 - Sub-option A: Geographic equity controlled through criteria weighting factors
 - Sub-option B: Geographic equity controlled by capping access to Measure funds for individual jurisdictions (caps can be adjusted if other jurisdictions do not use funds within a prescribed timeframe)
 - Sub-option C: No geographic control
 - Option 2: Project readiness basis – Jurisdictions would request Measure dollars from SANBAG to match locally contributed development financing when a certain phase of the project is ready. SANBAG would provide a commitment to the jurisdiction that specified funds will be available.
 - Sub-option A: Geographic equity controlled by capping access to Measure funds for individual jurisdictions
 - Sub-option B: No geographic control
- 4) Another issue is the actual conveyance of the Measure I dollars. Alternatives include:
 - Option 1: Reimbursement process – Jurisdictions expend funds on a project and submit invoices to SANBAG; reimbursement occurs based on agreed percentage of actual costs (could be with or without caps on reimbursement amount)
 - Option 2: Grant/MOA process (with possible refund to SANBAG if actual costs are less than original estimate)
- 5) Cost overruns can be treated in at least two ways:
 - Option 1: SANBAG commitment is to a percentage, regardless of cost
 - Option 2: SANBAG commitment is capped with the original agreement; and the overrun is the responsibility of jurisdiction
- 6) Project Management and Delivery Responsibilities. Historically, arterial project delivery has been the purview of local governments. This could change should local governments wish SANBAG to take a lead role, or in instances in which an arterial project is closely linked to a freeway interchange project on which SANBAG acts as lead agency.

Recommendations To be developed through committee discussion.

Responsible Staff: Ty Schuiling, Director of Planning and Programming

Name of Program: Metrolink/Rail Service

Brief Description: Measure I 2010-2040 requires 8% of Valley Measure I shall funds passenger rail projects, including the extension of the Metro Gold Line to Montclair, the implementation of passenger rail service between San Bernardino and Redlands and for the Metrolink system, the purchase of additional passenger cars and locomotives, construction of additional track capacity, construction of additional parking at stations and provide match funds for State and Federal revenues used for maintaining equipment, track and signal and road crossings.

Technical issues: The Metrolink/Rail Service Program is to be funded by a combination of Measure I, federal, state and local funds. Over the 30-year period, Measure I will generate nearly \$487 million. Federal Transit Administration (FTA) funds (Sections 5307 - Fixed Guideway, 5309(m)(2)(A) New Starts and Small Starts, and 5309(m)(2)(B) - Rail Modernization) are expected to total \$479 million. This estimate of FTA revenue assumes that 50% of the capital cost for the Gold Line and Redlands extensions will be awarded (\$122.5 million). The proportion of San Bernardino Valley local revenue (Local Transportation Funds, State Transit Assistance Funds and Rail Asset funds) required for supporting the passenger rail program is not set in stone and will vary from year to year.

Both the Metro Gold Line and Redlands extensions, if everything falls in line, could be completed within the first four years of the new Measure I Program. Without other revenue sources being available, this could require a Measure I Rail commitment of \$122.5 to match a like amount of FTA funds. Only about \$40 million in Rail revenue will be generated in those four years. Staff has attempted to utilize as much of other revenue (local and CMAQ) that might be available to support these two important projects. Even with the reasonable use of other revenues, the amount of Measure I Rail funds required will total more than \$63.8 million; \$23.8 million more than the revenues generated.

Policy considerations and alternatives:

- 1) Both the Metro Gold Line and Redlands extensions have strong public and political support. It will be critical for SANBAG to continue to be a strong supporter of the Gold Line extension to Montclair and to leverage other Federal, State and local (Los Angeles County) funds as they become available.
- 2) Currently, cities along both projects appear to be supportive of transit oriented development at the proposed station locations; thus supporting the SCAG 2% Compass program.
- 3) The Gold Line extension is proposed as a design/build project. The Redlands extension could become a design/build project as well.
- 4) There are still several steps that need to be taken for both of these projects to win FTA approval to enter into preliminary engineering. For the Gold Line extension the major step includes a new travel forecast provided by LACMTA and getting project in Long Range Transit Plan. For the Redlands extension, the requirements for Small Starts are still not final, but the interim regulations will require the following prior to FTA authorization for Preliminary Engineering and Environmental Clearance:
 - A. Alternatives Analysis Report
 - B. Selection of LPA
 - C. Agreement of Baseline Alternative (FTA concurrence)
 - D. Planned ridership, cost inputs and estimates
 - E. Identification of transit rider benefit (travel forecast)
 - F. Economic Development Impacts
 - G. Transit Supportive Land Use and Future Patterns
- 5) Methods of advancing the two rail extension projects:

- A. Borrowing from other Valley programs
- B. Include financing with bond proceeds
- C. Delay implementation of Redlands Extension and fund Gold Line, or visa versa
(still would require short-term borrowing for cash flow purposes)
- D. Design/Build

Recommendations: To be developed through committee discussions.

Responsible Staff: Mike Bair, Director of Transit and Rail Programs

Name of Program: Express Bus/Bus Rapid Transit Service

Brief Description: Measure I 2010-2040 requires that 2% of Valley Measure I shall fund the Express Bus/Bus Rapid Transit Service category. Effective 10 years following the initial collection of revenue, this category amount shall increase to at least 5% and may increase to no more than 10% upon approval by the Authority Board. Assuming that the 5% is selected for the remaining 20 years, approximately \$206.6 million would become available. The implementation of Bus Rapid Transit (BRT) will require federal funding from either the Federal Transit Administration Section 5309 New Starts or Small Starts programs.

Technical issues: In July 2004 Omnitrans developed a System-Wide BRT Corridor Plan that identifies 7 potential corridors. Of these seven corridors, the "E" Street corridor (from north of Cal State University to the VA Hospital in Loma Linda) was selected for early implementation. In December 2005 Omnitrans completed the alternatives analysis of the "E" Street corridor and selected a Locally Preferred Alternative (LPA) and is now seeking authorization to begin Preliminary Engineering and Environmental Clearance phase. The preliminary cost estimate for the LPA is \$156.2 million in 2005 dollars. The anticipated implementation date is the end of 2010.

Policy consideration and alternatives:

Clearly, the implementation schedule noted above would require a funding commitment prior to the Measure I 2010-2040 taking effect. One of the arguments given for not increasing the amount of new Measure I revenue to this category was that some of the infrastructure improvements required would be eligible under the Valley Major Streets program. Approximately \$45.6 of the estimated cost could be eligible for funding from the Valley Major Streets program; leaving a balance of \$110.6 million from other sources. It may be possible that the amount of federal funding could be as high as 80%, but a more likely amount would be 50%. So the amount of local funds necessary could range from \$12.2 to \$55.3 million. On a pay-as-you-go basis, it would take between 6 and 13 years to accumulate that amount of revenue under this program.

- 1) Should the BRT fixed guideway portion, excluding the dedicated bus bridge over I-10, of the project be consider for Valley Major Streets funding? And how should the BRT project be rated against other pressing needs for the Valley Major Streets program funds?
- 2) Should the funding for the BRT project be included in an advance bonding scenario?
- 3) Should there be a subset of this program funding to support future express bus service?

Recommendation: To be developed through committee discussion.

Responsible Staff: Mike Bair, Director of Transit and Rail Programs

Name of Program: New Measure I Bond Financing Debt Capacity

Brief Description: The New Measure I Bond Financing Program will provide funding for capital project construction that is not expected to be financed on a pay-as-you-go basis. The program could be divided into a first/senior lien program that is primarily used to finance major projects (freeways, interchanges, and possibly passenger rail and major arterials) and a second/junior lien program that is used for local streets, and possibly major arterials. Debt capacity for the program is dependent upon many factors and constraints that are not known at this time, primarily future sales tax revenues, interest rates and the amortization period of the debt. It is reasonable to expect that the overall debt capacity for the new Measure I program could range between \$600-\$800 million in the first five years of the program (composed of \$500-\$700 million of 1st lien bonds and \$100-\$200 million of 2nd lien bonds).

Technical Issues: The program must be structured to meet all of the allocation/distribution requirements of the Expenditure Plan. The Additional Bonds Test for both first and second lien bonds must be structured to maximize credit ratings and financing flexibility for the capital financing program. Measure I revenues, financing interest rates and the Additional Bonds Test will be the primary constraints on debt financing capacity. Lower revenues than those that are forecast, higher financing interest rates and a restrictive Additional Bonds Test will reduce debt financing capacity. Measure I revenues greater than forecast, lower financing interest rates and a less restrictive Additional Bonds Test will result in increased debt financing capacity.

Policy Considerations and alternatives: Pay-as-you-go project financing is the only alternative to debt financing for projects. Project readiness and need for financing will dictate the timing of the first financings; however, it is possible for SANBAG to lock-in current low interest rates with hedging strategies when there is some certainty of project readiness and capital requirements. Debt covenants that will be embodied in a financing resolution and trust indenture will establish policies for the debt financing program.

Recommendations: To be developed through committee discussions.

Responsible Staff: Terry McGuire, Director of Finance

Name of Program: Inter-program Issues

Brief Description: Several issues that affect multiple programs or may cause one program to affect others also exist, and do not fit neatly into discussion of any one program. They are discussed below.

Policy Considerations and Alternatives:

- 1) *Prioritization among programs, which may include borrowing from one or more programs to "frontload" another program.* As a hypothetical example, the Board may assign a higher priority to freeway construction than new major streets and rail projects, and choose to borrow revenues from those programs in the first years of the new sales tax measure to for early freeway construction, with provision for payback in later years. Metrolink funding in the current Measure I is a model for this approach. Informal discussions with staffs of SANBAG's member agencies suggests that no consensus exists thus far on prioritization of one or more programs over others, but that broad agreement should be reached, based on further discussion, before any such decision is made.
- 2) *Inter-program sequencing.* Beyond the more familiar issue of how to prioritize transportation projects within a particular program, projects funded by different programs may relate to one another such that a particular delivery sequence is desirable or even necessary to minimize construction-related transportation impacts and improve the efficiency of project delivery. Examples are the sequencing of freeway interchange (to be funded from the Valley Interchange Program) and freeway mainline improvements (to be funded from the Valley Freeway Program) within a given corridor, or the timing of arterial roadway improvements (to be funded from the Valley Major Streets Program) in proximity to a freeway interchange project (to be funded from the Valley Interchange Program). Staff suggests consideration of the following principle:
 - *Project delivery sequences that are determined to be more efficient and less costly to deliver and less impacting to the traveling public than others should be pursued.*
- 3) *Fiscal Management.* It is generally advantageous, when possible, to deliver projects without use of federal funds to avoid the federal local assistance process and National Environmental Policy Act (NEPA) compliance issues. However, larger projects such as mainline freeway improvements and many freeway interchanges must be federalized under any circumstance. It therefore makes sense to maximize utilization of federal funds on those projects that must go through the federal process anyway, and avoid federal funding of projects that can otherwise be delivered locally with California Environmental Quality Act (CEQA) review.

The Measure I 2010-2040 Expenditure Plan identifies a distribution of Measure, Federal and State, and fair share development revenues among the various Measure programs. However, these proportions will change among some programs because of updated Measure I 2010-2040 revenue forecasts, updates to the SANBAG nexus study, and changes in the availability of state and federal funds (such as passage of Propositions 1A and 1B in November, and allocation of federal monies to Alameda Corridor East grade separations in SAFETEA-LU). Staff suggests consideration of the following principles consistent with the Expenditure Plan:

- *Maximize use of federal funds on otherwise federalized projects*
- *Use Measure I and local dollars to leverage State and Federal dollars to the maximum possible extent*

- 4) *Project initiation.* Responsibility for initiation of roadway projects can rest with SANBAG or with local governments. Initiation by SANBAG could occur as a result of prioritization of projects within a programmatic category and a statement of SANBAG's willingness to fund selected high-priority projects, or a call-for-projects in which projects submitted by local governments in response to the call receive allocations in accordance with previously developed and approved criteria established by SANBAG. Alternatively, local governments could initiate projects in accordance with their own priorities at such time as fair share development contributions within that jurisdiction are sufficient to match the proportion of funds from other sources consistent with the Nexus Study. A complicating factor may be that projects prioritized in accordance with a preferred project delivery sequence as described in section #2 (above) may not be the responsible local government's priority, nor the project on which the local government would otherwise choose to focus its available development financing. This issue will be discussed further in the context of more detailed discussion of the Valley Freeway, Freeway Interchange, and Major Streets programs.

Recommendation: To be developed through committee discussion.

Responsible Staff: Ty Schuiling, Director of Planning and Programming

Name of Program: New Legislative Initiatives

Brief Description: San Bernardino Associated Governments (SANBAG) is guided by its board approved legislative platform to seek legislative remedies for transportation policy and funding of transportation infrastructure projects. Additionally, in terms of securing federal funds for major projects within San Bernardino County, SANBAG adopts a list of projects seeking money through the annual appropriations process. In the past, SANBAG's strategy entailed a geographic approach concentrated on interchanges and highways, grade separations and transit projects in accordance to congestion relief needs. The result of this strategy provided small amounts of federal funds for a number of projects.

The passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), a multi-year authorization measure, modified the climate for securing federal funds for major transportation projects. Due to the number of earmarks authorized by SAFETEA-LU, the appropriations process for additional earmarks is much more competitive now and there is a clear push to promote completion of a transportation system rather than individual projects. Bearing in mind this shift, SANBAG might be in a better position to compete for limited federal funds by targeting large regional projects requiring a larger share of federal funding, which rallies the support of the entire Congressional Delegation representing San Bernardino County.

The following items are intended to promote discussion on SANBAG's future strategy for new legislative initiatives.

Policy Considerations and Alternatives:

- 1) *Seek Funding for All Projects.* As in the past, SANBAG may adopt a strategy to continue its current strategy for acquiring federal funds for all major transportation projects within San Bernardino County. The benefit to this approach is that every Board member can report to their respective jurisdictions that federal funds are being sought on such projects. The pitfalls of this strategy includes the amount of time it takes build up enough funding to complete a given project, the process to receive funding is fragmented, and allowable timeframes to utilize such funding may not coincide with the project delivery schedule.
 - *This year, newspaper articles cited that the House Appropriations Committee required representatives to better prioritize funding requests. In the coming year, it will be especially important for SANBAG to clearly communicate funding needs that benefit the regional as a whole.*
- 2) *Seek Funding for Single Large Corridor Project.* With a focus on a single, large-scale project of regional importance, SANBAG's federal funding request strategy might concentrate on a major projects along a mainline corridor. The single, large-scale corridor project may change from year to year and aim to complete corridors to alleviate congestion and/or promote goods movement. While this strategy will only seek funds for a single, large-scale corridor project for a given fiscal year, federal funds received might significantly reduce the need to utilize measure funds on a given project and thus measure funds can be used to complete other critical projects within San Bernardino County. Foreseeable benefits to implementing this strategy includes securing a larger share of federal funds a major projects and providing an opportunity to leverage state, federal and local funds to the highest degree possible. On the flip side, this approach would require SANBAG to be more competitive.
 - *To successfully implement this strategy, SANBAG will need to assess the amount of effort, commitment and resources this new strategy will require. Additionally, SANBAG will need to reach outside of the agency in a more aggressive manner to gain the support of the business community and other community stakeholders. Currently, SANBAG has one staff person focused on both the state and federal legislative strategy. Having adequate resources to assist board members effectively communicate this strategy and gain the support of Congress and the business community will be a key element to implementing this approach.*

SANBAG Acronym List

1 of 2

AB	Assembly Bill
ACE	Alameda Corridor East
ACT	Association for Commuter Transportation
ADA	Americans with Disabilities Act
APTA	American Public Transportation Association
AQMP	Air Quality Management Plan
ATMIS	Advanced Transportation Management Information Systems
BAT	Barstow Area Transit
CAC	Call Answering Center
CALACT	California Association for Coordination Transportation
CALCOG	California Association of Councils of Governments
CALSAFE	California Committee for Service Authorities for Freeway Emergencies
CALTRANS	California Department of Transportation
CARB	California Air Resources Board
CEQA	California Environmental Quality Act
CHP	California Highway Patrol
CMAQ	Congestion Mitigation and Air Quality
CMP	Congestion Management Program
CNG	Compressed Natural Gas
COG	Council of Governments
CSAC	California State Association of Counties
CTA	California Transit Association
CTAA	Community Transportation Association of America
CTC	California Transportation Commission
CTC	County Transportation Commission
CTP	Comprehensive Transportation Plan
DMO	Data Management Office
DOT	Department of Transportation
E&H	Elderly and Handicapped
EIR	Environmental Impact Report
EIS	Environmental Impact Statement
EPA	United States Environmental Protection Agency
ETC	Employee Transportation Coordinator
FEIS	Final Environmental Impact Statement
FHWA	Federal Highway Administration
FSP	Freeway Service Patrol
FTA	Federal Transit Administration
FTIP	Federal Transportation Improvement Program
GFOA	Government Finance Officers Association
GIS	Geographic Information Systems
HOV	High-Occupancy Vehicle
ICMA	International City/County Management Association
ICTC	Interstate Clean Transportation Corridor
IEEP	Inland Empire Economic Partnership
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
IIP/ITIP	Interregional Transportation Improvement Program
ITS	Intelligent Transportation Systems
IVDA	Inland Valley Development Agency
JARC	Job Access Reverse Commute
LACMTA	Los Angeles County Metropolitan Transportation Authority
LNG	Liquefied Natural Gas
LTF	Local Transportation Funds
MAGLEV	Magnetic Levitation
MARTA	Mountain Area Regional Transportation Authority
MBTA	Morongo Basin Transit Authority
MDAB	Mojave Desert Air Basin
MDAQMD	Mojave Desert Air Quality Management District
MIS	Major Investment Study
MOU	Memorandum of Understanding

SANBAG Acronym List

2 of 2

MPO	Metropolitan Planning Organization
MSRC	Mobile Source Air Pollution Reduction Review Committee
MTP	Metropolitan Transportation Plan
NAT	Needles Area Transit
OA	Obligation Authority
OCTA	Orange County Transportation Authority
OWP	Overall Work Program
PA&ED	Project Approval and Environmental Document
PASTACC	Public and Specialized Transportation Advisory and Coordinating Council
PDT	Project Development Team
PPM	Planning, Programming and Monitoring Funds
PSR	Project Study Report
PTA	Public Transportation Account
PVEA	Petroleum Violation Escrow Account
RCTC	Riverside County Transportation Commission
RDA	Redevelopment Agency
RFP	Request for Proposal
RIP	Regional Improvement Program
ROD	Record of Decision
RTAC	Regional Transportation Agencies' Coalition
RTIP	Regional Transportation Improvement Program
RTP	Regional Transportation Plan
RTPA	Regional Transportation Planning Agencies
SB	Senate Bill
SAFE	Service Authority for Freeway Emergencies
SANBAG	San Bernardino Associated Governments
SCAB	South Coast Air Basin
SCAG	Southern California Association of Governments
SCAQMD	South Coast Air Quality Management District
SCRRA	Southern California Regional Rail Authority
SED	Socioeconomic Data
SHA	State Highway Account
SHOPP	State Highway Operations and Protection Program
SOV	Single-Occupant Vehicle
SRTP	Short Range Transit Plan
STAF	State Transit Assistance Funds
STIP	State Transportation Improvement Program
STP	Surface Transportation Program
TAC	Technical Advisory Committee
TCM	Transportation Control Measure
TCRP	Traffic Congestion Relief Program
TDA	Transportation Development Act
TEA	Transportation Enhancement Activities
TEA-21	Transportation Equity Act for the 21 st Century
TIA	Traffic Impact Analysis
TMC	Transportation Management Center
TMEE	Traffic Management and Environmental Enhancement
TOC	Traffic Operations Center
TOPRS	Transit Operator Performance Reporting System
TSM	Transportation Systems Management
USFWS	United States Fish and Wildlife Service
UZAs	Urbanized Areas
VCTC	Ventura County Transportation Commission
VVTA	Victor Valley Transit Authority
WRCOG	Western Riverside Council of Governments

San Bernardino Associated Governments



MISSION STATEMENT

To enhance the quality of life for all residents, San Bernardino Associated Governments (SANBAG) will:

- Improve cooperative regional planning
- Develop an accessible, efficient, multi-modal transportation system
- Strengthen economic development efforts
- Exert leadership in creative problem solving

To successfully accomplish this mission, SANBAG will foster enhanced relationships among all of its stakeholders while adding to the value of local governments.

Approved June 2, 1993
Reaffirmed March 6, 1996